

**Quarterly Report #3
(July- September 2005)
Contract # 527-C-00-03-00001-00
Peru Alternative Development Project**



**Report presented to:
USAID Peru/Ms. Jennifer Vernooy
Presented by:
Chemonics International, Inc.
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Executive Summary

Chemonics International Inc. is pleased to submit the following Quarterly Report for the period July 1 through September 30, 2005 in accordance with Section F.2 of Contract No. 527-C-00-04-00043-00: Peru Alternative Development (PDA) program. The objective of this contract is to promote the sustained reduction of illicit coca production in Peru; it follows a previous contract (No. 527-C-00-03-00001) which was awarded to Chemonics in October 2002 for the implementation of pilot alternative development activities in Peru and concluded on August 30, 2004. The current contract runs from April 1, 2004 through September 30, 2007.

In addition to the Executive Summary, this quarterly report contains a chapter describing the contextual and security environment, followed by progress made according to project CLINs 2, 3, and 5. CLIN 1, start-up, has been completed, requiring no further reports. CLIN 4, Situational Response, which is focused on unanticipated, yet essential services and goods to support the program, has no specific activities to report during this quarter. Annex 1 contains a financial and administrative report. We welcome suggestions for its improved organization.

Highlights of Third Quarter 2005

- 960.66 hectares of coca voluntarily eradicated
- 84% of coca free communities visited for verification activities
- 6460 hectares of crops were installed during this period
- 9 new infrastructure projects awarded to contractors and 77 completed this quarter (401 projects completed to date)
- 881 completed titles registered in public records with PETT supervision

Chapter I:	Context
Chapter II:	Socialization (CLIN 2: Auto or Voluntary Eradication)
Chapter III:	Implementation of Community Program (CLIN 2: Auto or Voluntary Eradication)
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Following is a summary of the key activities undertaken during this period, results achieved, key lessons learned and projected activities for the next quarter. This quarter is characterized by the following activities:

Key Activities:

- The 2005 eradication plan to reach 3,000 hectares of voluntary eradication began in earnest in San Martín, Ucayali and Huanuco during this past quarter, following the successful commencement of the eradication process in the Bajo Huallaga with an initial 142 hectares. Agreement was reached with NAS/CADA and USAID to increase the number of CADA brigades by an additional 50, for a total of 115, engaged in measuring and certifying the eradicated coca fields in the proposed intervention areas.
- As a necessary step in the eradication process, PDA and DEVIDA regional staff secured invitation letters for CADA measurement from 162 communities for intervention in San Martín; 91 communities in Ucayali; and 22 communities in Huanuco/Tocache. During this

quarter, the PDA expanded the universe of communities from the initial 192 to approximately 401 for 2005 intervention.

- Eradicated 216.85 hectares of coca plantations pertaining to remnants (saldos y repasos) from communities that signed eradication agreements in 2003 and 2004. This brings the total of 350.87 hectares out of an anticipated total of 515 hectares.
- Completed a study of the payment of “bonos”, which indicated that the expectation of receiving a “bono” is a critical incentive for participation in the voluntary eradication process.
- Continued to work with INRENA to exclude 4942 plots from the designated protected areas (resulting in a Presidential Decree to exclude the plots from the von Humboldt Reserve) as a necessary step prior to finalizing the titling process, and assisted PETT to add 466 titles in the property registers, for a total of 881 land titles that are now available for distribution to project beneficiaries. USAID and DEVIDE must determine the most appropriate distribution venue.
- Continued with the implementation of the R379 agreements, completing 77 infrastructure projects in the four areas during this past quarter, for a total of 403 completed infrastructure constructions. At present, 64 constructions are underway and another 21 are in the pre-construction planning stage. Five projects are temporarily stopped for technical reasons. Discounting 17 projects that were cancelled because of community rejections of the framework agreements and another 20 projects that were undertaken by other institutions, only four projects remain in the discussion stage out of a total of 529 projects contained in approved framework agreements.
- The PDA has successfully implemented 6,460 hectares of new crops during this quarter. Added to the 31,044 hectares implemented through the last quarter, this brings the new crops total to 39,468 hectares, which represents 95 percent of the 41,699 hectares committed under the community framework agreements. Approximately 2,101 hectares, which resulted from recent modifications to agreements primarily in the Aguaytia area, remain to be implemented.

Activity highlights for the quarter include:

The 2005 Intervention Program:

As suggested in the April-June, 2005 Quarterly Report, the 2005 voluntary eradication program faced a serious dilemma with regards to the actual amount of coca available for eradication. Initial hope was placed on CADA supplied satellite images that could provide a reliable estimate of coca availability, which would serve as the basis for community negotiations and the signing of framework agreements for voluntary eradication in exchange for a PDA benefit program. However, when a spot measurement effort that was conducted in the districts of Sauce, Shapaja, and Tres Unidos revealed far less coca than suggested by satellite images, serious concern was raised over the capacity of the program to identify sufficient coca for eradication, while maintaining control over budgetary availability. If a given community proved to have limited coca, but large numbers of families, it would not only prove difficult to remain within budget, but to identify sufficient coca to meet the 2005 goal of voluntarily eradicating 3000.

In order to address this dilemma, the PDA program, in consultation with USAID and DEVIDA, took the following steps:

1. Resolved to request that CADA embark on a crash, on the ground, community by community, coca measurement effort with the incorporation of 50 additional CADA brigades (two persons per brigade) to provide certifiable estimates of the amount of coca present in the selected communities. Rather than rely on satellite images, the program would develop its intervention strategy based on these on-the-ground measurements (medicion por objetivo) of coca using GPS instruments and visual identification of coca plants. The estimated amount of coca in a community, as measured by CADA, would provide the basis for a final decision to take the intervention process to the next step, which involves negotiating a benefit package, signing a framework agreement, and proceeding with the eradication.
2. Established a maximum budget per community based on \$2,000 per hectare to be eradicated, regardless of the number of families present in the community. The combination of coca availability and numbers of families would determine the intervention budget and negotiating strategy.
3. Agreed with USAID to maintain the possibility of a “bono” (cash payment per family equivalent to \$180) as an incentive for families and communities to participate in the program.
4. Decided to adopt a district by district negotiating strategy to involve mayors and municipal delegates within communities as the first point of entry in the negotiating process in order to reach initial agreement before proceeding to sign framework agreements with individual communities.
5. Proposed to aggressively pursue counterpart funding from municipal governments, as well as community labor, to help fund and implement infrastructure and other benefit packages.

As a result of these decisions, as of September 30, 2005, the program has successfully negotiated 71 framework agreements and is in the process of negotiating framework agreements with 150 additional communities. CADA is currently measuring coca in another 56 communities and PDA/DEVIDA staff are attempting to secure CADA invitation letters from yet another 107 communities (17 communities rejected the program). Given results to date, it is probable that the voluntary eradication goal of 3,000 hectares will be reached. However, multiple challenges remain in the last quarter that could affect the capacity of the program to meet this goal:

- Despite committing all available staff resources, due to the late start the program risks running out of time in its efforts to conclude the remaining approximately 200 community negotiations and the subsequent eradication of the coca in accordance with the signed framework agreements.
- Inclement weather, given the start of the rainy season, could prove to be a serious handicap for the planned activities over the next quarter.
- Cocalero strikes or civil unrest could also prove to be an impediment in reaching the goal by the end of calendar 2005.

Implementation of Community Programs (CLIN 2): During this past quarter, the PDA program continued to focus on the delivery of the benefits contained in the signed agreements with the

R379, but the bulk of the institutional effort shifted towards the implementation of 2005 eradication goals. Nonetheless, the following was accomplished:

- Infrastructure. PDA increased the completion rate of the infrastructure projects to 403 and is well on the way to completing the remaining projects. In addition, work has already begun on the new framework agreements with the first communities that are part of the 2005 voluntary eradication program. A major effort is being made to include civil engineers in the negotiating process with new communities to ensure that all works are viable from the outset, avoiding the costly and socially disruptive delays, for technical or contractual reasons.
- Productive Projects and Economic Support Centers (CSE). The complexity of implementing the productive projects continues to be a challenge for the program. A major technical assistance provider for cacao, Sierra y Selva, simply was unable to carry out the task and had to be intervened by PDA staff. While a replacement is found, the PDA program assumed the direct payroll of the Sierra y Selva technicians.

During this time, the PDA finally concluded an agreement with OLAMSA for the installation of approximately 1,100 hectares of palm oil. The operation involved the importation of seed from Africa and the establishment of 10 hectares of plant nursery for the germination and production of seedlings. OLAMSA is contractually responsible for distributing the palm oil plants to approximately 500 PDA beneficiaries. Also, as a result of follow-up negotiations with communities in the Aguaytia area, the program will implement approximately 2,100 additional hectares of pastures and cacao plants.

The four PDA Economic Support Centers (CSE) continue to provide assistance to program beneficiaries with marketing of crops, accumulating over \$1.4 million in sales during the calendar year through September 30, 2005.

- Natural Resources. During this quarter a special emphasis was placed on the environmental monitoring of productive projects and the establishment of regulations to ensure the use of only permitted pesticides (PERSUAP). Both of these activities also fall under the framework of compliance with the Environmental Regulations established within the PEA.

Implementation of Cross-Cutting Initiatives

Land Titling (CLIN 2). While the PDA has succeeded in completing the registration process for 881 land titles that are now ready for distribution to beneficiaries, it seems unlikely that the 4932 plots that are in the Permanent Production Forests (PPF) will be completed by December 31, 2005, which is the project's self-imposed deadline. INRENA will likely complete its task of excluding the plots from the PPF, but the Ministry of Agriculture's land titling office (PETT) is unwilling to review and certify the work carried out by the Land Titling program (PTT), unless it receives payment of over S/. 1 million. Ironically, PETT's task amounts to certifying the work that its own technicians carried out under PDA contract, essentially approving what they did themselves.

The PDA will bring to a close its work and will safeguard all documents, files and equipment pending instructions from USAID for their disposal.

Communications (CLIN 3): During this past quarter, the communications program focused on regional activities, the preparation of TV and radio spots for local broadcasting, and the planning

for the Third Conference of Amazonian Communicators to be held in the city of Ayacucho in October.

Monitoring and Evaluation (CLIN 5): Comments made during the last quarter remain essentially unchanged during this quarter. The PDA M&E system continues to expand its database containing information on beneficiary communities, infrastructure, productive projects, socialization, and financial data. The system has proven to be enormously capable of providing accurate and current information on program implementation, as experienced during the recent audit of the RIG. Nonetheless, it is a continuing challenge to ensure that all stakeholders remain attentive and diligent about introducing the proper information on a regular basis. A significant effort is being made to train database user to enter and retrieve information. A first training course was conducted in Tingo Maria for regional technical personnel to be followed by more training for Lima-based stakeholders. M&E staff is introducing changes and updates to the database in order to meet program demands.

Program Management: During this quarter, the PDA implemented some changes in three of the four regional offices. The principal operating center of the San Martin area, known as the Tocache office, was moved to the city of Tarapoto. The main Ucayali office was moved to Pucallpa. The Tingo Maria office was given responsibility for the area surrounding Tocache and points south, due to its greater proximity. Small decentralized centers were kept in San Martin and Ucayali to place program staff closer to the beneficiary communities. It is expected that these changes will make the program more efficient, improve coordination with regional DEVIDA offices (whose centers are in Tarapoto, Pucallpa and Tingo Maria) as well as other USAID partners and national and regional government centers, and protect program activities from cocalero strikes and road closures. During this past year, the three offices experienced over 100 days of office closures for these reasons.

The reorganization instituted last quarter is showing positive results, particularly in strengthening the capacity of the regional offices to assume the primary role for program implementation, while the Lima office develops mechanism for supporting and monitoring regional activities.

Personnel: During this past quarter the program continued implementing its staff reduction plan with the departure of short-term technical workers, particularly in the infrastructure area. Also, facilitator/socializer staff was moved from short-term to permanent hire in an effort to upgrade the role of this function in the program. The PDA is on track to significantly reduce its overall staffing level from approximately 220 employees to 135 overall at the start of calendar year 2006. Four of the eight expatriate staff are scheduled to depart by the end of 2005. They will be replaced by Peruvian staff currently on board.

Security: The security scenario continues to be complex in the four valleys, causing road blockages and other incidents that contributed to work suspensions and staff evacuation. Given the advent of the electoral year, additional incidents are foreseen, which could delay program implementation. The continual presence of Sendero Luminoso is also cause for concern and demanding adherence to strict security measures.

Key lessons learned this quarter:

- The principal lesson learned during this quarter is that it is of paramount importance to begin the voluntary eradication process as early as possible in the calendar year in order to adequately meet the goals on a comfortable and timely basis. During calendar 2005, for a variety of reasons, such as definition of intervention areas, poor results with satellite images to identify coca fields and delays in getting the measurement process started, the program was forced to

face a race against the clock to reach the 3000 hectare voluntary eradication goal. It is strongly recommended that the 2006 eradication program be approved as early as possible at the start of the calendar year and that it conclude its activities by August or September. The eradication process should be carried out simultaneously to the implementation of benefit activities in the communities that sign framework activities in 2005.

- Spend more time in the socialization process with prospective communities to prepare them for participation in the program. Ensure that all socializers have an accurate and consistent message regarding PDA benefits and the eradication process.
- Careful prospecting for coca is essential to ensure more accurate estimates as well as hectares per family ratios. Keep close track of CADA measurement activities.
- In all cases, agreed upon infrastructure projects must be carried out with community participation and labor, as well as local municipal counterpart, if available. Careful coordination must occur with municipal development plans as well as programs undertaken by other agencies, such as FUNCODES. Infrastructure projects must follow simple, technologically appropriate designs and should be primarily based on locally available materials.
- Continued close watch over community rosters is essential. The prospects of receiving bonos often attracts non community members or encourages the arrival of community relatives, which inflates rosters and forces paying of bonos to persons extraneous to the community. CADA community rosters must match those prepared by PDA staff and checked with municipal rosters.
- Present a flexible negotiating stance with communities. Some communities are satisfied with just one benefit. Others may be encouraged to forsake the bono in favor of a much desired community project, such as potable water.
- Work closely with municipal authorities in identifying project benefits. Insist on counterpart and community in-kind involvement. Some PDA investments can mobilize significant resources from other organizations.
- PDA and USAID staff should discuss, clarify and possibly modify the current relationship and operating procedure with CADA.
- The role of project socializers must be enhanced and professionalized further. Socializers should have responsibility for a specific territory during the entire PDA intervention period. They should establish close working relations with local authorities and leaders, particularly of producer organizations. Activities should focus on capacity building and helping communities to access resources from other institutions.

CHAPTER I: CONTEXT AND CHALLENGES

A. Introduction

Throughout the implementation of PDA activities, it is important to constantly analyze the context in which they are being carried out and examine the way in which the challenges affecting security are being addressed. In this context, the program takes action to monitor security in PDA areas; prevent risk situations that could potentially affect regional activities; and provide information on the political, social, and security situation of the areas in order to support PDA decision-making and offer ongoing preventive security training to all staff.

B. General Framework for the Quarter

The main event during the third quarter was the General Indefinite Strike organized by the National Association of Peruvian Coca Producers (Confederación Nacional de Productores Agropecuarios de las Cuencas Cocaleras del Perú -CONPACCP) held from June 27 to July 12, 2005. Most of the 14 coca basins took an active part in the strike. CONPACCP's objective is to achieve the total suspension of forced and voluntary eradication of illegal coca crops as well as the deactivation of the PDA and DEVIDA. As a precaution, PDA's four regional offices suspended all activities during this strike.

A round table discussion between CONPACCP and GOP offices, programmed for August 11 in Huamanga-Ayacucho, was cancelled due to a cabinet crisis in the Central Government. As a result, CONPACCP decided to hold the IV Ordinary National Congress of Coca Basins (IV Congreso Nacional Ordinario de Cuencas Cocaleras) in order to elect a new Board of Directors and decide upon what type of forceful action they would be carrying out in support of their demands. This Congress did not produce any significant results other than the appointment of the CONPACCP's new Board members.

By the end of the quarter, the Constitutional Tribunal upheld the finding by the Judiciary that the decrees issued by the regional governments of Cuzco and Huanuco legalizing all coca production were unconstitutional. This verdict generated protests on the part of Cuzco's Regional President and from most of the coca growers' representatives. They threatened to retaliate by way of forceful action (regional strikes, protests marches, amongst others), but had not followed upon those threats.

It appears that during the reporting quarter splinter groups of the "Sendero Luminoso" terrorist organization have been engaged in disruptive activities and political propaganda. They have also been recruiting followers in an effort to reorganize their organization while seeking to correct past errors. Likewise, their *modus operandi* has changed as evidenced by them safeguarding the interests of coca growers (the proletariat), and by being kind, respectful and non-aggressive to farmers inhabiting the communities found within conflict areas.

The rate of delinquency has increased dramatically during the reporting quarter with more reports of armed robbery, highway robbery and kidnappings.

C. Situational Analysis of the Coca Basins

C1. Ucayali Regional Office

- **Socio-Political Situation**

During the General Indefinite Strike of coca growers, roads were blocked in the city of Aguaytía, particularly in the areas known as BARRIO UNIDO and PAMPA YURAC. A Negotiation Commission was formed consisting of the Mayor of Padre Abad Province, coca-grower representatives, and the sub-Prefecture, the Administration of the sub-Region and other representatives of civil organizations in the Province. They all traveled to Pucallpa to meet with the High Level Commission of the Central Government. There, the coca leaders presented three petitions. Differences arose among the parties and, finally, the coca-grower representatives decided to organize the IV National Ordinary Congress of the Coca Basins to be held in Ayacucho.

- **Subversive Situation**

The presence and deployment of Sendero Luminoso sympathizers was felt in the region as more of them were ordered to stand guard along the roads and overnight stops in the city of Aguaytía. Near the city of Aguaytía, the deployment of alleged Sendero Luminoso militants was seen in the valley of Shambillo in Padre Abad Province. Recently graffiti alluding to the Sendero Luminoso terrorist organization appeared at km 24 of the Fernando Belaúnde Terry highway between the villages of PUEBLO LIBRE and SANTA ROSA DE PATA.

PDAP activities were however unaffected and have been carried out as normal. There have been no direct threats against PDAP during this quarter.

- **Situation of Common Delinquency**

Highway robbery continues to be a problem along the Carretera Federico Basadre. This is carried out by organized gangs in the areas of PUENTE CHINO, LA DIVISORIA and the stretches between SAN ALEJANDRO and HUIPOCA. The National Police do not have a plan of action to counteract these assaults.

- **Situation of Narcotrafficking**

Drugs are exported by messengers and stored mainly in the area known as PAMPA YURAC. From there, the drug is taken along a new drug route to the city of Palcazo and Codo de Pozuzo (Region of Huanuco) all the way to the Brazilian border. Two mutilated bodies were found at km 17 of the mentioned road. We presume it to be a narcotrafficker's vendetta-related murder.

C2. San Martin Regional Office

- **Socio-Political Situation**

Road blocks along the Fernando Belaunde Terry highway (both for Tingo Maria as well as Juanjui) planned by the coca growers Indefinite General Strike which started in Tingo Maria, meant that cities were totally cut-off for about 7 days at the beginning of the quarter. This action proved ineffective in Juanjui, Tarapoto and Chazuta. Since then, the activities of the PDA have developed without interruption.

- **Subversive Situation**

Subversive activity gained momentum during this quarter. The worst terrorist act was the assault of a privately-owned vehicle in the area of Yanahanca (Nuevo Progreso – Tocache) in which three people were killed (a policeman, a civilian and a justice of the peace). In other terrorist attack Sendero Luminoso insurgents placed a land mine on the road leading to Moyobamba (near Tabalosos, in the sector known as Ponaza). Luckily this failed to damage a passing police car.

- **Situation of Common Delinquency**

The considerable increase in the number of assaults along Fernando Belaunde Terry and Moyobamba roads has led to the loss of human lives. It has been hypothesized that members of Tocache's National Police Force were involved in these assaults because, with nearly all of the policemen posted in Tocache deployed elsewhere at the end of the quarter, highway robberies dropped considerably.

This hypothesis was further confirmed by the discovery of firearms belonging to the National Police (AKM rifles) buried in a house in Tocache. This was reported by an assailant who was targeted for murder by his accomplices. The National Police Force kept this information in strict confidence.

- **Situation of Narcotrafficking**

Forceful eradication carried out by the National Police Force (DINANDRO) and CORAH in the areas of Santa Rosa de Mishollo (La Pólvora District) caused great quantities of drugs to be transported along the Fernando Belaunde Terry road leading to Juanjui and Tarapoto. Constant drug confiscations along these stretches by the National Police produced very good results. The drugs were being transported in pick-up trucks and privately owned vehicles taking passengers for a fee. It is presumed that great volumes of drugs have been transported by river.

C3. VRAE Regional Office

- **Socio-Political Situation**

The socio-political situation in this valley is becoming very unstable due to the fact that the coca growers' are becoming frustrated at not finding solutions to their problems. This has created a climate of rejection against the institutions charged with coca-crop eradication. Although FEPA-VRAE now has a new leader, their position remains unchanged and protests continue. The "I Coca Leaf Festival" in the district of Pichari took

place from 3 – 9 August. As the round-table with members of Central Government was cancelled, they decided to sever all dialogue with the government and instead hold the “IV National Ordinary Congress of Coca Basins” between September 26- 30, to decide upon what sort of forceful action against the government they would use to pressure it into accepting their demands.

- **Subversive Situation**

We have been informed that comrade Raul has been seen in the areas of Santa Rosa, Palmapampa, Monterrico, Achihuay, San Antonio, Villa Virgen and Agua Dulce. This insurgent leader commands some 20 to 25 Sendero Luminoso militants. They are armed with short and long-range firearms. Comrade Jose on the other hand, who has 30 to 40 terrorists under his command, has been spotted traveling through the communities of Llohegua, Sivia, Pto. Cocos, Canaire, Mantaro Paquichari, Tununtuari and San Martín de Pangoa where he has been giving talks on terrorist indoctrination (schools), promoting enrollment to the Party and encouraging coca- farming. It is increasingly evident that there is a close link between Sendero Luminoso and narcotraffickers. At present, Sendero Luminoso provides security for illegal drug trafficking in the area as well s to traffickers in illegal lumber. They charge a fee for their security services

- **Situation of Common Delinquency**

Common delinquency in VRAE has also escalated. We have received information pointing to the involvement of members of the CAD (Self-Defense Committee) in delinquent organizations. They are in turn supported by zonal presidents who provide armament such as breech-loading guns to carry out the assaults in Santa Rosa, in the district of Kimbiri, Las Rosas, Los Angeles and El Progreso, as well as Ccano, Tumtubaron, Tapuna and part of the upper river (Monterrico and San Antonio).

- ***Situation of Narcotrafficking***

It is known that organizations dedicated to illegal drug trafficking have installed operation bases in the Apurimac and Ene river basins, in complicity with the remaining Sendero Luminoso insurgents who take advantage of the strategic zones and geography of the region to escape police controls in search of new routes to transport drugs. The drugs are transported by backpackers and “caletas”, who travel along the existing trails between the basins of the Apurimac, Ene and Mantaro Rivers.

Coca growers are upset and alert to Palmapampa PNP (National Police Force) helicopters constantly hovering overhead, as they fear being spotted and targeted for eradication.

C4. Tingo Maria Regional Office

- **Socio-Political Situation**

The Indefinite National Strike organized by CONPACCP in the suspension of PDA activities From June 27 to July 12, the date when the National Government agreed to meet

with the coca leaders. In spite of these efforts, no headway was made in resolving the issues raised by CONPACCP.

Once the CONPACCP strike was over, cocaleros from the Monzon Valley, led by Iburecio Morales, mobilized some 2,000 people to the city of Huanuco for an entire week. They managed to secure the support of the Regional President of Huanuco who issued regional decree 027-2005-E-CR-GRH declaring coca farming to be a legal activity in its jurisdiction on the grounds that it is part of the peoples' cultural heritage. This marked the second regional political authority to declare coca farming a legal activity, the first being the Regional President of Cuzco.

A 48-hour strike was called in the Monzon Valley to reject CORAH's interdiction measures in the district of Jose Crespo y Castillo and to reject all of the decisions taken by the Constitutional Tribunal reverting regional decrees.

- **Subversive Situation**

Terrorists made their presence felt by carrying out intimidation tactics and minor offenses against transportation companies who had previously been forced to pay quotas to ensure that they would not be attacked while traveling along the Fernando Belaunde Terry highway. National television aired a clandestine video in which comrade Artemio claimed responsibility for the attempts against members of the police force during 2005.

- **Situation of Narcotrafficking**

The Anti-Narcotics Directorate of Tingo Maria continued carrying out interdiction measures successfully throughout the period. Activities were focused on locating and destroying drug processing laboratories and maceration pits and arresting individuals caught transporting drugs by land, water or air, to the city of Lima.

- **Situation of Common Delinquency**

Organized gangs coming from other cities have created a climate of insecurity. Their modus operandi focuses on extortion, kidnapping and highway robbery. The National Police captured a number of individuals who were members of these gangs and since then they have been weakened.

D. Lessons Learned

- To maintain and improve communications with the different work areas within the company.
- It is important to follow-up on complaints and claims expressed by the communities affiliated to the program.
- We should aim at establishing a close relationship with the authorities and farmers in the communities, in order to obtain relevant information to ensure better security.
- PDA field activities should be closely monitored and coordinated to reduce any chance of risk.

E. Work Plan

- Meet with all regional security coordinators in order to establish future actions for the security component and guarantee PDA's activities in all of the intervention areas.
- Continually review and update the security Action Plans in order to respond effectively to any situation of risk in the regional offices.

F. Recommendations

- Coordinate security activities with other security providers, outside of the company, in order to better plan our own security.
- Share information related to situations in the regions with other security providers, outside of the company, for better decision making related to PDA activities.

G. Constraints

- Lack of planning in the regional offices with respect to some PDA activities obstructs the security actions designed to minimize risk for personnel.
- Non-fulfillment of the security policies which oblige PDA workers to inform their office on their field activities in advance increases the level of risk.

H. Next Steps

- Reinforce the communications network in the regional offices in order to obtain quick, direct and accurate information.
- Review and issue security policies.
- Train PDA workers on new security policies.
- Gather the entire security team (Management and Regional Coordinators) in order to revise current plans and policies.
- Visit and inspect the regional offices.

CHAPTER II: SOCIALIZATION

A. Introduction



During the quarter and in fulfillment of the work plan, the Socialization component carried out activities geared towards contributing to the objectives set forth by both the PDA as an institution and those of each Regional Office. These activities specifically involved:

- Organizing visits to PDA beneficiary communities designed to reinforce the communications and sensitizing processes in an effort to ultimately achieve a change of attitude with respect to illegal coca crops. In addition efforts focused on reversing the negative opinion of some of the beneficiaries, general public opinion and that of a few local authorities on the fulfillment of commitments between the communities and the PDA under the Framework Agreements. These visits were mainly carried out by the VRAE and Tingo Maria Regional Offices.
- The Regional Offices in San Martín and Aguaytía on the other hand, focused more on the identification of communities to be intervened under Plan 2005, as well as on obtaining CADA letters from the communities selected for intervention.

A.1. ACTIVITIES CARRIED OUT

- The Regional Offices implemented their activities during this period by:

Following-up on the Framework Agreements entered into with the communities:

The regional offices in the VRAE and Tingo Maria dedicated great efforts to follow-up and implement the agreements entered into during the negotiation process, basically in connection with infrastructure and productive activities. Their work consisted of listening to the concerns expressed by the communities and providing them with immediate feedback. Moreover, teams of facilitators from all four regional offices (San Martín, Aguaytía, Tingo María and VRAE), participated in meetings with selected communities to agree on modifications to existing commitments in order to respond to the productive activities prioritized in the R379 framework agreements.

Following-up the Framework Agreement Alerts:

Follow-up work with 39 communities that have not complied with signed framework agreements was programmed for this quarter. Of these communities, 24 have withdrawn from the PDA (all in the VRAE) and 15 have indicated a reluctance to pursue PDA commitments. The sanctions stipulated in the framework agreements for non-compliance with voluntary eradication have been implemented. USAID has already reported this to DEVIDA.

The Aguaytia regional office successfully persuaded 17 of 18 communities that signed framework agreements in 2004 to reduce their coca-crops.

Coordination with CADA Measurement of Coca Crops in Communities:

Coordination meetings with CADA were carried out during the quarter to set up the work teams for implementing the 2005 work plan. This was done primarily in the areas of the regional offices of San Martín and Aguaytía and to a lesser extent, in Tingo María and VRAE.

Pursuant to the 2005 work plan and in order to quantify the existing coca crops in the areas, the Aguaytia regional office obtained letters of invitation from 57 communities for CADA to measure coca crops, while the San Martin regional office obtained 48 CADA letters of invitation.

**Promote the signing of New Framework Agreements:**

As part of the 2005 work plan, and with the objective of reaching the eradication target for the year, the Aguaytia regional office helped obtain 10 new signed framework agreements, while the San Martin regional office obtained 16 signed new framework agreements. The regional offices in VRAE and Tingo Maria have not been giving priority to the signature of new framework agreements; however, those offices have been identifying

coca producing communities that may be interested in participating in the program. Such additional communicates will provide a strategic reserve for meeting the annual eradication target if communicates in Aguaytia and San Martín do not participate at the level currently anticipated.

Achieve Coca-crop Reduction in New Communities:

Reported coca-crop reduction in Aguaytia for the reporting quarter totals 136.20 Ha., and 172.07 Ha. in San Martín.

Office	New Agreements	Ha Reduced	Letters of Invitation
Aguaytia	10	136.20	57
San Martín	16	172.07	48

A.2. IMPLEMENTATION OF THE NEW APPROACH.



As mentioned above, in this quarter the activities oriented towards the fulfillment of the eradication target for 2005 were centered in the areas of the regional offices in Aguaytía and San Martín.

The Aguaytía office concentrated its efforts in Campo Verde, Nueva Requena, Honoria, Tournavista, Puerto Inca and

Codo de Pozuzo. The staff focused on intervention in 89 communities from a total of 105 identified in the 2005 work plan.

Of these 105 communities, 82 are now being intervened. To date, 429.01 Ha. of coca crops have been measured.

In addition, four (4) communities have been intervened in Padre Abad (Guacamayo, Santa Ana Alto Previsto, Mina de Sal and Nueva Unión Alto Previsto) even though they are identified as risk zones for PDA intervention. Activities



are being carried out with due caution.

A pre-sensitizing campaign was also initiated in two (2) communities (Miraflores in Irazola and Contado in Curimana); coordination with community authorities is an important part of that process, but there are a number of individuals in those areas who oppose the PDA and do not want the Program to operate there. This situation complicates our plans for aggressively moving ahead in the work with those communities.

In this quarter, the regional office in San Martín, worked on the broadening the scope of its new PDA intervention areas, and has coordinated with the district mayors of:

1. Saposo
2. Eslabón
3. Piscoyacu
4. Sacanche
5. San Pablo
6. Picota
7. Sauce
8. Shapaja
9. Tres Unidos.
10. Alto and Bajo Biavo

Thanks to this, signed frame agreements were obtained from the communities belonging to the districts of Sauce, Shapaja and Tres Unidos. The district of Campanilla showed a total lack of interest.

A3. LESSONS LEARNED

Successful achievements

- Gradual, results-driven positioning of the PDA as a result of meeting commitments made during community negotiations. This has been accomplished despite the continual campaign organized by the coca growers to discredit PDA activities.
- Although sometimes differences of opinion exist between community authorities and the community members, there is a growing recognition that decision-making responsibility ultimately lies in the hands of the community as a whole. Since the community has a leading role in the implementation of PDA activities, communication with the community must be horizontal — that is, it must include the entire community, not just the leadership.
- Local governments are participating in the process by endorsing the community's decision. The family unit is key in making development-related decisions.
- The use of clear and simple language, adapted to the local reality and recognizing past errors is essential. The sustainable nature of the projects and the productive chains provide a safe option for alternative development.
- With their experience, the PDA facilitators help gain the communities' trust, as the message they convey is one of human development (well being, family, quality of life, forest protection, etc.)
- Identification of the facilitators with the PDA, team work, group management and organizational strengthening in the field are central to successful implementation of the program. Motivating staff is an important element of this process.



Constraints

- Continuous changes in intervention strategy affect implementation progress. The intervention strategy should be validated and standardized before implementation; continuous changes generate gaps in the programming and create mistrust and false expectations in the community.
- Greater diffusion of information about PDA is needed through timely publicity and spots at the community level.
- The physical demands of the facilitators' job and the danger they are faced with day to day needs to be considered in the organization of their work so as to optimize their performance.
- Errors in the measurement method used by CADA made it necessary to reformulate the original plans in order to reach the objectives of the current year. This meant that the facilitator teams had to redirect their efforts and search for new areas of intervention.

Recommendations

- Create a first stage of work designed to strengthen the socialization process by considering the inclusion of the Electoral Assembly as the principal community level point of contact instead of the Coordination Committee, and developing an official register for all of the community beneficiaries prior to signing the agreements. A list identifying the heads of families should be used from the beginning (real registry).
- Reinforce communications, coordination and contacts with the local authorities. In addition, access as much information as possible from other sources, including surveys, on the existing coca production locations.
- Coordinate with CADA and accompany them when work is done on measurement-reduction in order to avoid contradictory or ambiguous messages.
- Ensure that logistic resources are available to comply with the activities in the best way possible (vehicles, radios or telephones and adequate field equipment to suit the conditions of the work as it develops).
- Convey the idea that the PDA is an opportunity for beneficiary communities to develop, but that it is not a solution to all of their problems. Also convey that PDA strives to change the coca-based economy and replace it with a legal economy.



- Before going out into the field, PDA personnel must be totally familiarized with the PDA's New Approach and have basic information on the village or community to be visited. Staff must also be trained to conduct the different stages of the socialization process.
- Involve the mayors and local government members in the socialization process to facilitate PDA's entry into the communities.

PLANNING FOR THE FOURTH QUARTER OF 200

Efforts for next quarter (September-December) will focus on reaching the eradication goal for 2005. *E*

CHAPTER III: COMMUNITY PROGRAMS

A. Infrastructure

The objective of the infrastructure component is to provide communities that have signed voluntary coca crop reduction agreements with PDA with infrastructure projects that, *inter alia*, seek to:

- Contribute towards the economic development of the beneficiary communities by implementing infrastructure works by:
 - Rehabilitating roads or constructing bridges to help communities to access local markets or other trade centers.
 - Constructing irrigation channels so that farmers in the area can increase planting/harvest production levels.
 - Constructing storage, packing and other facilities related to the trade process.
- Generate employment by utilizing construction firms in the coca areas for the design, evaluation, execution and/or supervision of projects.
- Provide temporary income in beneficiary communities through labor requirements associated with the construction of the infrastructure works.
- Improve local governance by way of strategic alliances with local governments resulting from construction grants awarded to municipalities.
- Increase household income in beneficiary communities through sustainable economic activities.
- Strengthen the institutional capacity of community organizations.
- Through a spill-over effect from participating communities, increase “buy-in” and as a result broaden program impact
- Sensitize communities to promote sustainable use of natural resources

A1. Quarter Activities

The infrastructure component is guided by overarching PDA objectives and by commitments derived from community-level voluntary coca eradication agreements. For this reason, infrastructure office activity during the July-September period centers on the following:

Technical Activities:

- Development of guiding technical principles.
- Technical oversight of project design.
- Design evaluation.
- Supervision of construction of infrastructure works.
- Coordination meetings with the entities responsible for the operation and maintenance of the infrastructure works to establish procedures to transfer of completed infrastructure projects to beneficiaries (line ministries, local governments).

Internal Procedures:

- Re-engineer internal procedures

Negotiation efforts:

- Negotiate with target communities: in this quarter, sixteen projects were renegotiated. This required considerable effort by the PDA staff because these communities did not want to change from what was originally agreed upon to a different infrastructure project.

On the other hand, the negotiations carried out by the Infrastructure component have helped to obtain accumulated savings of \$11.5 million between August 2004 and September 2005 by either replacing initially agreed upon projects with smaller projects or scaling down those initial projects to a smaller size.

Table 1 presents the universe of infrastructure projects at each stage of the project cycle, by target region.

Table 1: Implementation Stage, by Region

Infrastructure Project Cycle	Aguaytía	Tingo María	Tocache	VRAE	Total
Pre-implementation	1	0	0	0	1
In design phase	3	0	9	0	12
Approved/ready for contract award	5	1	2	0	8
In implementation	34	11	11	3	59
Temporarily stopped	1	0	3	1	5
Completed	206	55	80	62	403
Cancelled	3	0	1	13	17
Executed by other institutions	19	1	0	0	20
To be re-formulated	4	0	0	0	4
TOTAL	276	68	106	79	529

Note: This universe of 492 works¹ includes projects in education, health, water, roads, bridges, and others. Furthermore it contains 4 projects from the new intervention phase of PDA, all of them belong to Tocache Region, 3 of them are in design and the last one is being executed.

Table 2, which presents a breakdown by project type, shows the distribution according to phase of execution (pre-implementation, in execution, completed).

Table 2: Summary: Project Status, by Project Type

General Classification	Project Type	Pre Implementation	In Execution	Completed
Educational Infrastructure	Educational centers	4	12	97
Community Infrastructure	Community Centers	2	11	104
	Community Infrastructure	2	3	4

¹ Excluding seventeen cancelled projects and twenty which were executed by other institutions.

	Steps	0	1	3
	Recreational areas	2	2	16
Water and Sewage	Construction of sewage infrastructure	0	1	5
	Potable Water systems	3	10	67
Health Infrastructure	Health Post	0	3	11
Road Infrastructure	Road Rehabilitation	1	12	49
	Bridge Construction	3	5	25
Economic Infrastructure	Productive infrastructure	3	0	7
	Irrigation channel construction	0	0	2
Electrification	Electrification System Construction	1	4	11
Other	River Embankment Protection	0	0	2
TOTAL		21	64	403

At the end of the Jul-Sep period only 21 works remain in pre-implementation stage, 3 of them belong to the new PDA intervention phase (undergoing project design), while 4 projects require negotiating changes in technical specifications with communities under USAID lineaments.

In the period between July 1st and September 30th, the infrastructure component awarded 9 construction contracts which belong of the remaining R-379 commitments:

Table 3: Summary of Construction Awards, by Region

Period		Number of Awards (Primary Works)				
		Aguytía	Tingo Maria	Tocache	VRAE	Total
2005	July	1	0	0	1	2
	August	0	0	1	2	3
	September	3	0	1	0	4
	TOTAL	4	0	2	3	9

Table 4: Summary of Construction Awards, by Project Type

Project Type	Awards			
	2005			
	July	August	September	TOTAL
Classroom Construction	0	1	0	1
Construction of Multiple Use Centers	1	0	1	2
Potable Water System Construction	0	0	2	2
Community Infrastructure	0	1	0	1
Electrification System	0	1	1	2
Construction of sewage infrastructure	1	0	0	1
TOTAL	2	3	4	9

In this quarter the number of project start-ups (8 total) is shown following:

Table 5a: Project Start-Up, by Region

Period		Number of Infrastructure Projects				
		Aguaytía	Tingo Maria	Tocache	VRAE	TOTAL
2005	July	3	0	0	0	3
	August	1	0	0	2	3
	September	1	0	1	0	2
	TOTAL	5	0	1	2	8

Note: This does not include complementary works (bathroom installations)

Following a process under which the infrastructure office deployed a wave of direct-hire supervisors to monitor the timeliness and exercise quality control for the works under execution, this quarter saw high levels of completed projects (excluding complementary works), as shown in Table 5b:

Table 5b: Completed Projects, by Region

Period		Number of Infrastructure Projects				
		Aguaytía	Tingo Maria	Tocache	VRAE	TOTAL
2005	July	26	0	3	1	30
	August	16	3	4	1	24
	September	16	2	3	2	23
	TOTAL	58	5	10	4	77

Note: This does not include complementary works (bathroom installations)

In the last quarter, eradication agreements were signed with the communities which make up the geographic unit known as *Bajo Huallaga 1* - representing the first set of auto-eradication agreements signed under the 2005-2006 PDA Implementation Plan. In this quarter, the infrastructure component began working on four infrastructure commitments made in *Bajo Huallaga 1* (two rice storage & distribution centers, one potable water rehabilitation, and one electrification design). The final design of these projects is now complete.

Moreover, infrastructure staff participated in the process of incorporating 26 new communities (departments of Ucayali and San Martin) as part of the 2004-2005 work plan. Framework agreements for auto-eradication have now been signed with those communities.

Finally, more key internal improvements were made this quarter. These include:

- ♦ The creation of a cost base per type of work of infrastructure, based on historical PDA data, this job will facilitate the work of PDA negotiation teams.
- ♦ A process to decentralize tasks, through which the Regional Offices are now responsible for:
 - Processing disbursements
 - Processing Extensions of Time (in the case of private companies)
 - Standard payments

- Updating PDA's data base.

A2. Lessons learned

- Ensuring the involvement of the community in the financing of their projects greatly influences their level of commitment with regards to the operation and maintenance of the works once these have been completed.
- It is critically important to effectively delegate authority and responsibility to regional offices.
- It is essential to charge the execution of the works to subcontractors or recipients on the basis of their (previous) performance.
- The implementation of stricter contractual tools will not only facilitate compliance with the established time periods, but it will also make it easier to obtain quality products/services (technical files, execution, supervision), which will mean that prices can be maintained and money may even be saved.
- Direct-hire supervisors greatly outperform those contracted via engineering firms.
- On-site visits are key to ensuring community satisfaction and sub-contractor compliance.
- It is necessary to network with institutions and/or entities related to the Infrastructure projects in order to obtain
 - A clear understanding of constraints, authorizations, technical requirements and others, associated to each type of work.
 - Potential co-financing for execution of the works.

All this would help with the technical and financial development of the works.

A3. Recommendations

- Infrastructure staff must continue on with its intervention work from the outset in the planning of PDA intervention in new geographic units.
- Continue the use of direct-hire supervisors.
- When dealing with works that are co-financed by third parties, it is preferable to have the municipal governments execute the work.
- Establish a performance database for municipal governments to red-flag those with lackluster performance and non-compliance issues.
- Continue to perform evaluations of project implementation in order to identify shortfalls and determine best practices.
- Additional technical responsibility (and accountability) should be delegated to regional office staff.
- Increase the amount of on-site inspections.

- Validate type Projects such as Medical Outposts and Classrooms with the respective Health and Education Ministries.
- Implement a Cost Base at PDA level. This would be very useful for the Program's new intervention stage as it would help to speed up the creation of financial scenarios.
- Prepare Operation and Maintenance Manuals for each type of work.

A4. Constraints

- Inability of sub-contractors to comply with established work schedules.
- The absence of strict clauses setting forth the procedures to be put into practice in the event of default or non-compliance on the part of the subcontractors (project designers, executors, supervisors) and recipients, leads to delays, interruptions in the work schedule and consequently, higher costs.
- Social protests and organized coca producer strikes (*paro cocalero*) restrict access to PDA areas.
- Administrative processes continue to produce bottlenecks.

A5. Activities for next quarter

The activities for the upcoming quarter include:

- Start-up remaining R-379 commitments (18 works).
- Define the infrastructure commitments with respect to the 4 works to be re-formulated, belonging to R-379.
- Complete the bulk of R-379 commitments.
- Monitor and track implementation of projects underway in order to ensure technical, environmental, and timeline compliance.
- Training of regional PDA staff.
- Participate in the implementation of PDA 2005-2006 intervention strategy by geographic unit.
- Define infrastructure projects designed to benefit the communities that form part of PDA's new intervention stage.

B. Productive Projects

One of the major challenges in implementing the productive activities is developing businesses in PDA's intervention areas that are sustainable. A number of varying factors weigh heavily on this challenge: locations are widely distributed; budgets for inputs and technical assistance are tight; farmers have no idea of what quality, competitiveness and market integration mean; locations are often subjected to strong social pressures and to a climate of mistrust generated by the media, and finally coca-leaders and narcotraffickers are ever present in these areas. Nonetheless, progress is being made each day.

The goal set for September 30, 2005 was fixed at installing an accumulated total of 41,669 hectares of crops benefiting 35,075 families. Out of this total, 8,424 hectares were concluded during the March 2004 and April 2005 campaigns. The present campaign is implementing 31,044 hectares and these are also receiving technical assistance. The remaining 2,201 hectares of crops needed to achieve the goal will be installed during the course of next quarter, assuming that these crops will not be affected by the unusually extended dry season currently affecting both the installation and management of crops in the field.

The main crops supported by the PDA are: cocoa with more than 19,073 hectares, coffee 3,480 hectares, grasses 4,446 hectares, bananas 1,264 hectares, cotton 725 hectares, oil palm 1,072 hectares, corn 651 hectares, among others.

In order to implement the productive activities, we are now working with a total of 17 Farmer Organizations that are implementing grant agreements and 10 private companies that provide technical assistance. Both must be congratulated for their efforts to support us in this process of change, considering the adverse conditions they all have to work under.

Business development is yet another of CSE's efforts to guarantee investment sustainability in the productive projects. In order to do this, the program is working with 30 companies, providing them with market information, business contacts, technical assistance for development, information on indices of demand, and management support. As a result of this assistance, products grown in PDA intervention areas are now being sold to major supermarkets such as Wong, Metro, Santa Isabel and in wholesale markets. Coffee and cocoa are being exported.

On the whole, efforts to implement productive projects and businesses are showing promising results as these are gradually improving in number and size albeit with a few difficulties and a few disputes with a small number of beneficiaries. We expect to overcome these obstacles as we involve more farmers and more private companies to guarantee investment sustainability and thus help persuade the beneficiaries to switch to a licit economy.

B1. Results

During the reporting quarter (July-Sept 2005), the Productive Activities and CSE-Businesses component developed a series of organization and planning activities related to productive and business projects, directly benefiting more than 35,000 families within PDA's intervention area. The following sections summarize the results.

B.2. Planning and Organization

Since July 2005, the Productive Activities Area which formed part of CSE (central level) and the 4 Sub CSE's (regional level: Aguaytía, Tingo María, Tocache and VRAE) has been reporting directly to the Regional Offices and receives support from the Productive Activities Area located in Lima. This means that the Business component is now the responsibility of the 4 Sub CSEs, which are supported by CSE PDA in Lima.

The implementation of these two areas of work (productive projects and businesses), requires close coordination not only between these two components, but also with the other components at management, regional and central levels, and with DEVIDA, the PRA Project, MINAG, Producer Organizations, recipients, subcontractors and private companies. This helps the CSE's work more effectively.

The main activities undertaken during the reporting quarter related to Productive Activities include:

- Formulating productive projects to meet the commitments contracted under the framework agreements and negotiating with private companies and beneficiaries for the implementation of productive activities and businesses.
- Signing grant agreements and technical assistance subcontracts for the on-site implementation of productive projects² and businesses³.
- On-site monitoring and supervising to evaluate the implementation of productive projects and assess the advancement of the business projects.
- Supporting the implementation of Plan 2005 in the Yarina, Sauce, Shapaja and other units currently under development.

The main activities undertaken during the reporting quarter related to CSE – Businesses include:

- Negotiating with PRISMA and COPEME to extend the administration of the Trust Funds established in three Rural Savings Banks (*Cajas Rurales*) that, in turn, are supported with DCA guarantees.
- Updating and maintaining the data entered into the M&E PDA and PRA Project (sales, jobs and investments).
- Training CSE staff on the business focus, on PEA compliance, on the focus of intervention and on achieving objectives of the Plan 2005.
- Identifying new business opportunities, coordinating meetings with businesspeople and promoting strategic alliances.
- Developing commercial pilot plans to develop businesses related to the production of rice in Tocache and VRAE, and to the production of oranges in Juanjui, among others.
- Coordinating with the Socialization and Communications components to improve customer attention to the farmers while promoting PDA's work.
- Assisting with the organization of the II Concurso Nacional de Cafés Especiales (II National Competition for Special Coffees) in Peru.
- Helping to organize the Foreign Trade Week event.

B.3. Global objectives, progress made and outlook

PDA's goal was to complete the implementation of a total of 41,669 Ha, benefiting 35,075 families by September 2005. The results are shown in the following Table:

Table 1. Balance of N° of programmed / implemented hectares and beneficiaries as of September 2005

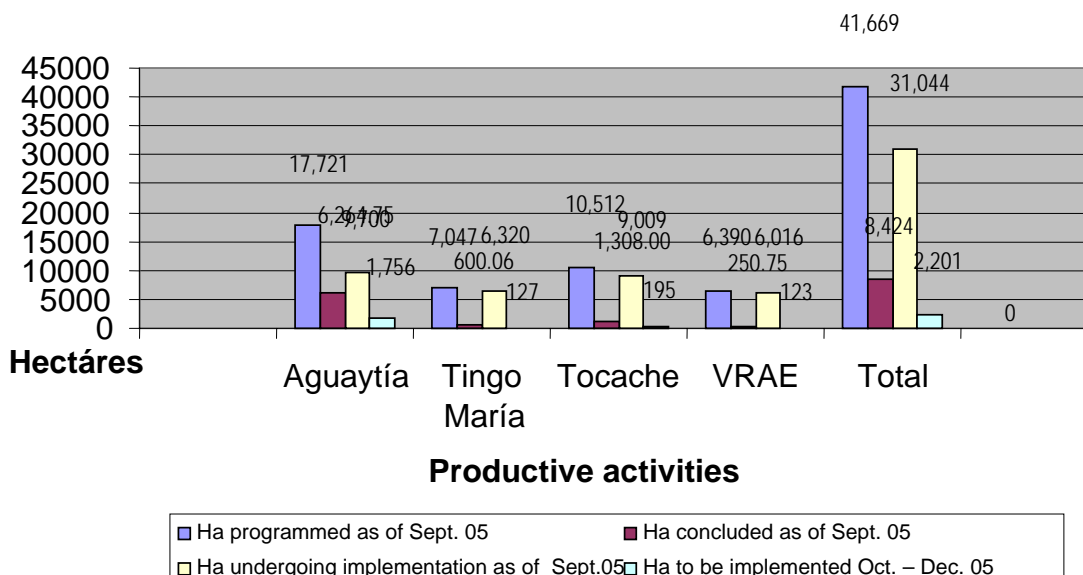
² These are implemented through grant agreements entered into with producer organizations and technical assistance subcontracts primarily executed with private sector companies.

³ Implemented on the basis of business plans, per client (private company) and by product.

CSE	N° of Beneficiary Families	N° of Ha Planned as of September 2005	N° of Ha Completed as of September 2005	N° of Ha still being implemented as of September 2005	N° of Ha to be implemented between October - December 2005
Aguaytía	12,736	17,721	6,264.75	9,700	1,756
Tingo María	7,763	7,047	600.06	6,320	127
Tocache	10,064	10,512	1,308.00	9,009	195
VRAE	4,512	6,390	250.75	6,016	123
Total	35,075	41,669	8,424	31,044	2,201

As of September 2005, 95 % of the total number of hectares programmed for installation (41,669) were completed. The remaining 2,201 Ha (5%) will be installed between October and December at the latest. In VRAE , Tingo María and Tocache 98% of the projected goal has been completed, while 86% has been concluded in Aguaytía. This shortcoming was due to a series of difficulties related to the implementation of some of the infrastructure works which then required negotiation of a number of different productive projects. These projects will be implemented in the course of the upcoming months.

Advancement with regards to the implementation of Productive activities as of September 2005



In the reporting period, there are 39 grant agreements and 11 subcontracts for the provision of technical assistance, as shown in Table 2 below. The grant agreements involve the participation of 17 beneficiaries: 8 in Aguaytía, 4 in Tingo María, 3 in Tocache and 2 in VRAE.

Table 2. Summary of Grant Agreements and Subcontracts for Technical Assistance in force as of September 2005

Regional Office	Grant agreements and TA subcontracts in force as of September 2005		Observations
	Nº of Grant Agreements	Nº of Technical Assistance (TA) subcontracts	
Aguaytía	14	6	The TA Subcontract with Cooperativa La Divisoria attends coffee crops in Aguaytía and Tingo María; a mutual agreement to terminate the TA Subcontract with Export. Sierra y Selva SA, who was attending cocoa crops in Aguaytía, Tingo María and Tocache came into effect as from September 2005.
Tingo María	11	2	
Tocache	7	1	
VRAE	7	2	
Total	39	11	

Working with these producer organizations has helped to strengthen PDA's social base. Despite this, these organizations are still very weak⁴, and for this reason an institutional strengthening program with the participation of Acción Sin Fronteras has recently been started.

Technical assistance is being provided by 10 business organizations:

- 3 private companies: Exportaciones Sierra y Selva, Patt Fresh, Multiagros EI SAC,
- 2 producer consortiums: COPPU and COPASO
- 3 agrarian co-operatives: Cooperativa Agraria Cafetalera La Divisoria, Cooperativa Agroindustrial Tocache and Cooperativa Agraria Cafetalera Valle Río Apurímac
- 2 community companies: Ecomusa Von Humboldt and Ecomusa Unión y Trabajo.

It was mutually agreed upon to terminate the TA Subcontract we had with Empresa Exportaciones Sierra y Selva SAC as of September 1, 2005 because the demands for assistance to PDA clients was shown to be beyond the company's ability to provide. This company has been providing technical assistance for cocoa farming in the areas of Chazuta, Tocache, Juanjui, Aguaytía and Tingo María. The PDA will be assuming this work until a new replacement is found and hired, hopefully no later than December 31, 2005.

B.4. Productive activities concluded as of September 2005

Approximately 6,460 hectares of crops were installed during the reporting period. These included 4,370 hectares of cotton, 1,587 hectares of corn (1107 in Tocache, 330 in Aguaytía and 150 in Tingo María), 251 hectares of peanuts in VRAE and 130 hectares of grasses in Aguaytía, involving a total of 4,572 farmers.

Table 3. Nº of hectares of crops installed as of September 2005 / CSE PDA

Area	Total		Crops
	Hectares	Farmers / Beneficiaries	
Aguaytía	6,265	3,234	cotton, camu camu, corn, grasses, pineapple, oil palm

⁴ With respect to organization and management.

Tingo María	600.06	2234	Corn, papaya, caña brava
Tocache	1,308	1,308	Corn, rice.
VRAE	250.75	279	Peanuts.
TOTAL	6,460	4,572	

Cotton, peanuts and corn now form part of the chain of businesses being developed in this farming campaign. The cotton projects are being carried out with ACUDE, Plan Ucayali SAC and Caja Rural Señor de Luren; peanut projects are supported by Multiagros Import Export SAC and Química Suiza among other companies.

B.5. Productive activities currently in course

This quarter, we supported 31,044 hectares of crops. Out of these, 14,929 receive only technical assistance because they were installed during the 2003/04 campaign, while the remaining 16,015 being installed as part of the present campaign receive support in the form of inputs and technical assistance.

The greatest extension of land is located in Aguaytía (9670 hectares), followed by Tocache with 9,008 hectares, Tingo María with 6,320 hectares and VRAE with 6,016 hectares benefiting a total of 26,469 farmers throughout the 4 valleys. Main crops include cocoa: 19,073 hectares, coffee 3,480 hectares, grasses 4,446 hectares, bananas 1,264 hectares, cotton 725 hectares, oil palm 1,072 hectares, corn 651 hectares, among others (see Table below):

Cuadro 4. Balance de cultivos en implementación y que cuentan con Asistencia Técnica a Septiembre 2005

Descripción producto	AGUAYTIA		TINGO MARIA		TOCACHE		VRAE		Total Familias Beneficiadas	Total Has
	Beneficiarios	Hectáreas	Beneficiarios	Hectáreas	Beneficiarios	Hectáreas	Beneficiarios	Hectáreas		
Algodón	725	725							725	725
Arroz (piladora)	200	4							200	4
Cacao	2988	3455	3253	3198.5	7752	8199.5	2755	4220	16748	19073
Café	620	600	913	849.75	260	260	1330	1770.75	3123	3480.5
Cítricos			186	138					186	138
Frijol			21	21					21	21
Mani							25	25	25	25
Maíz			102	102	549	549			651	651
Palma Aceitera	519	1072							519	1072
Palmito	118	118							118	118
Pastos	2210	2724	574	1722					2784	4446
Piña	103	26.75							103	26.75
Plátano	913	975	353	289					1266	1264
Total	8396	9699.75	5402	6320.25	8561	9008.5	4110	6015.75	26469	31044.25

The original completion dates for most of the productive projects presently undergoing execution were extended as a result of the prolonged dry season (three months: July-September) this year. These adverse weather conditions forced the reprogramming a series of activities, and this in turn has had repercussions on the original completion dates. The work is now expected to be completed by December 2005.

In addition to reprogramming the completion dates, staff working in the regional offices are currently reassessing the list of beneficiaries as a number of families have moved from their communities or have abandoned their crops. Overall targets will be modified once the results from this assessment are available.

During the quarter, in order to install 1072 hectares of palm oil in Aguaytía, two subcontracts were signed with OLAMASA, after prolonged negotiations:

- i) One for the importation of 235,840 preheated palm seeds from CIRAD, France, which arrived in September.
- ii) The other for the production of 156,512 palm seedlings (146 seedlings / ha), to be given to the 19 beneficiary communities of this project in September 2006. This process has only recently been put in place.

A total of 256 people provide technical assistance to these 31,044 hectares of crops, including coordinators, extension agents and peasant promoters hired by the private companies involved, who receive training on how to teach the farmers to install and manage their fields efficiently and obtain higher yields.

Table 5. Summary of extension of crops and staff providing Technical Assistance.

CSE	Ha of crops receiving Technical Assistance	Technical Assistants			Total
		Product Coordinator	Technicians / Extensionist Agents	Peasant Promoter	
Aguaytía	9,700	8	35	43	86
Tingo María	6,320	7	27	9	43
Tocache	9,009	5	21	57	83
VRAE	6,016	8	25	11	44
Total TA / PDA staff	31,044	28	108	120	256

The largest percentage of technical advisors (57% or 152 people) are dedicated to providing assistance to cocoa crops. All technical assistance staff is supported and supervised on-site by CSE personnel.

B.6. Development of productive activities pending as of September 2005.

During the next few months an additional 2,2260 ha of crops will be installed. For the most part, these hectares correspond to new PDA commitments resulting from negotiation processes carried out this quarter which were originally infrastructure projects but, for different reasons, have been reformulated when they were ultimately determined to be not technically viable.

The Regional Offices are currently preparing the respective projects, with implementation of the activities still pending shown in the Table below.

Table 6. Summary of crops to be implemented in the Oct – Dec 05 period

Description of product	AGUAYTIA		TINGO MARIA		TOCACHE		VRAE		Total Ha	Total Beneficiaries
	Hectares	Beneficiaries	Hectares	Beneficiaries	Hectares	Beneficiaries	Hectares	Beneficiaries		
Citric fruits			127	127					127	127
Cocoa	366	295			195	195	67	67	628	557
Coffee	13	15					56	56	69	71
Banana	244	125							244	125
Cotton	40	40							40	40
Grasses	1092	582							1092	582
Rice mill	1	49							1	49
Soil improvement	624 hours/machine	39							624 hours/machine	39
Total.	1756	1106	127	127	195	195	123	123	2201	1551

B.7. Business development

Business development in PDA's areas of intervention is carried out through the PDA Center for Economic Services (CSE) and the 4 CSEs located in Aguaytía, Tingo María, Tocache – Juanjui and VRAE. Work is closely coordinated with the PRA Project.

The priority of the CSE's and implementation of businesses activities is focused on consolidating productive investments in framework agreements signed with communities. During this quarter, work has involved 271 communities with whom a number of private companies (clients) are doing business. These business partnerships deal mainly in cocoa, cotton, coffee, bananas, palm oil, pineapple, rice, corn, peanuts, sesame, etc.

Table 7. Main clients, products, sales projections and business environment

CSE	Client Companies	Main products produced and sold	Value of Sales reached as of Set 2005 (US \$)	N° of signatory communities participating in these businesses
Aguaytia	Plan Ucayali, COPASO, COPPU, APPSHA, CAC La Divisoria, Exportaciones Sierra y Selva, ASPASH.	Cotton, banana, coffee, palm oil, hearts of palm.	1,350,000	110
Tingo Maria	Heliconias del Huallaga, Patt Fresh, Exportaciones Sierra y Elva, Embasadora Bella Durmiente, Ricardo Arellano Rolando, Chambego, CAC La Divisoria.	Flowers, bananas, cocoa, coffee, re-hydrating water, papaya, pineapple, beans	480,220 40	40
Tocache	APA Fray Martín, Cooperativa Tocache, Exportaciones Sierra y Selva, Inversora Diego, Algodonera Juanjui, Asoc. Productores de Arroz de Uchiza.	Cocoa, rice, cotton fiber	171,000	55
VRAE	CACAO VRAE; CACVRA, Multiagro, Grano de Oro, Botanical Product, APLAVRA, LOPESA, Agroindustria Santa Rosa.	Cocoa, coffee, peanuts, sesame, rice, ginger root, banana, <i>palillo</i> spice, annatto, corn, <i>barbasco</i>	1,028,961	66

Total	3,030,181	271
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As of the end of the current quarter, 73% of the objectives set forth for the October 2004-September 2005 period have been met, as shown in more detail in the Table below:

Table 8. Sales goals reached / CSE PDA Oct 04 – Sept 05

CSE - PDA	Sales goals (US\$)	Total sales(US\$) Oct 04- Sept 05	% of goal fulfillment
Aguaytía	1,100,857	1,350,000	123%
Tingo María	594,063	480,220	81%
Tocache	1,534,189	171,000	11%
VRAE	929,332	1'028,961	111%
Total CSE	4,158,441	3,030,181	Average: 73%

Sales goals were exceeded in Aguaytía and VRAE as more companies are becoming interested in participating in the program; more companies involved in these projects means that there is an increase in production so higher volumes are available for sale, despite the socio-economic and political difficulties affecting both these areas. In the case of Tingo María, the business projects are gradually gaining force, although the sales goals were not met this quarter. In the area of Tocache on the other hand, the picture is very different. Sales there were definitely far below the goals. This was due to a number of factors but mainly to those associated to the climate of insecurity permeating the area which clearly discourages the private sector from setting up any kind of business in the area.

Businesses in Aguaytía

- Bananas are the crop that are sold the most and it would appear that the banana business has a promising future in store. This business is run by COPPU. Production is sold to: i) the Frito Lay companies through Prime Trade who carries out the maquila process and sells the selected banana produce (300 tons per month) to E. Wong, Metro, Santa Isabel supermarkets; ii) the Tupac Amaru Wholesale Fruit Market, which represents 70% of COPPU's total sales, buying an average of 65 tons a month from them.
- Two new clients have been added to the list this quarter: i) Ganadería de Carne through Empresa de Servicios Agroecológico Mundo Animal, who is engaged in collecting livestock from the communities benefiting from the pastureland project. This company then sells the livestock to Velma SAC; ii) Empresa Mayorista de Fruta Chambergó who sells the Cayena Lisa pineapple to markets in Lima and other provinces.

Businesses in Tingo María

- Perhaps the main business in Tingo María is the one carried out by Patt Fresh, who is engaged in the business of stocking bananas of different types. This business is gradually becoming more consolidated in the area. The produce is sent to Wong,

Metro and Santa Isabel supermarkets. This company also provides technical assistance to farmers under a Subcontract.

- The coffee business in Tingo María and Aguaytía is led by Cooperativa Agraria Cafetalera La Divisoria. It concentrates on special coffees and it is gradually consolidating its offer. During the II Concurso Nacional de Cafés Especiales (II National Competition for Special Coffees) recently held in Lima, organized by the Instituto de Cafés Especiales, Junta Nacional del Café, Asociación Nacional del Café and the private sector, three farmers from the Hermilio Valdizán Community reached the semi-finals where one was awarded third prize for the excellent quality of prepared coffee.

Businesses in Tocache – Juanjui

- The Empresa Algodonera Juanjui, who is working with farmers in 10 signatory communities and 4 adjacent communities, has harvested 18 ha of “aspero blanco” type cotton seed fields, certified by CORESE / MINAG, to contribute towards the installation of 2000 ha during the next campaign. With this, it will have tripled the 629 ha of commercial-product fields that it is already working with and which will be due for harvesting in November.
- The Sierra y Selva company obtained the best results for cocoa sales (in grain form) in the area of Juanjui. Cocoa farmers in Juanjui are willing to continue working on the installation on of organic cocoa, especially during the harvest and post-harvest stages.

Businesses in VRAE

- VRAE’s two main businesses revolve around the coffee and cocoa production. The two companies involved in these businesses, CACAOVRAE and CACVRA, have managed to comply with their respective scheduled shipping dates. To date, CACAO VRAE has exported 400 MT of certified grain cocoa, which means that there are only 50 MT left to export in October 2005. CACVRA on the other hand, placed 350 MT at a fair trade price of \$ 1,950 dollars per MT, when the stock market price is only \$ 1,450 on average.
- As far as coffee is concerned, despite the sharp slump (40%) in the volume of production, CACVRA has complied with all of its shipments and above all, has managed to sell 560 QQ to STARBUCKS. This move paves the way for a guaranteed market and therefore ensures an optimistic outlook for CACVRA’s coffee business next year. The company has placed 5,000 QQ of coffee in special markets where the stock exchange price is rated at over \$ 140 /ql.
- The ability to comply with the coffee and cocoa shipments is what has ultimately contributed most significantly for CSE VRAE’s to meet its sales goals.
- Peanut production is another important crop grown in VRAE. The peanut business is gradually becoming more consolidated in this area thanks to the participation of 3 companies who are promoting this activity in the southern section of the Valley (Anco) and expanding it northwards (Ene river), where the conditions are more favorable for growing peanuts.
- MULTIAGROS is making positive headway with the rehabilitation and adaptation of the peanut processing plant that it purchased from PRISMA and it is hoped that over the course of the next few months, it will be ready to start-up operations and satisfy the demand for a series of peanut-based products. For this, it is working

jointly with AGRONPREX who operates the southern sector and AGROCOMERCIAL GRANO DE ORO who operates the northern sector of VRAE.

- Regarding the sesame seed production in VRAE, PDA's client company GRANO DE ORO is taking the lead in the commercialization of this crop and has embarked on a number of interesting derivatives such as sesame oil and pearled sesame, which are both products for which there is a great demand both locally and abroad. The company works with 10 signatory communities under a system through which it provides the farmers in the Ene valley with inputs and food. This has shown to be highly successful and the company now has an established chain of production for sesame seed. Sesame seed is the fourth most important crop in VRAE and the first in the Ene area and it is expected that sesame sales will help to boost overall CSE sales during the next campaign.
- Although the rice business has been somewhat sluggish in growth as a result of the domestic oversupply, GRANO DE ORO, through the introduction of innovative presentations, has managed to place about 50 MT of rice. In this way, the production of rice under dry conditions can also be a viable option for the Ene farmers.
- There are also a number of smaller but nonetheless significant businesses opportunities available to the signatory communities located in the central section, i.e. the production of *palillo* and annatto. Here GRANO DE ORO is already entering in this line of business and the outlook for the upcoming campaign looks good. Barbasco in powder form is another business being established in the area, and the company has already secured a contract for 60 MT of the powder per year.

B8.. Lessons Learned

Productive activities

- Increased presence in the field has allowed for better supervision resulting in improved quality of PDA's intervention efforts to implement productive activities, but there is still room for further improvement.
- The implementation of productive activities must be carried out in observance of the farming calendar. This would ensure better results.
- The productive project formulation stage must consider the following points as a basis on which to structure grant agreements and subcontracts for the provision of technical assistance services: i) the conditions found during the environmental assessments, to guarantee compliance of all environmental regulations; ii) include the final list of beneficiaries; and iii) pledge beneficiary contributions and analyze whether or not to continue paying them for their labor as has been the case to date, in order to ensure that the crops are installed correctly.
- So as to avoid delays in the disbursement of funds and administration problems related to account rendering of grant agreements and subcontracts, it is essential to provide on-site training and accompaniment at each CSE. These delays must be avoided since they affect the quality of the work in the field and set the conditions for social claims and protests.
- It is important to provide continual and timely information at the community level (authorities and population) on the state of the productive projects. People should also be given a detailed summary informing them on exactly what each beneficiary

can expect to receive as a means of support during the implementation of these projects. This would help to avoid potential problems related to misunderstandings and lack of information, and strengthen PDA's image.

- The work carried out by productive project experts, business specialists, environmental and natural resources experts and DEVIDA's technical staff must be well coordinated to monitor and supervise activities.

CSE – Businesses

- CSE presence at PDA and CSE level in each Regional Office (Aguaytía, Tingo María, Tocache-Juanjui and VRAE), through the staff of business experts, has contributed to create development alternatives that are capable of sustaining PDA investments in productive activities.
- In order to successfully achieve significant goals in the short-term, work must be done to boost productive activities with respect to the crops that have already been installed so that the harvest, post-harvest and sales can be guaranteed.
- When formulating business plans, it is key that the problem or constraining factor (bottleneck) be correctly identified and solved. Additionally, actions to be taken must be specified, and a strategy established to define PDA and private company contributions to ensure the feasibility of these businesses.
- A client's business successes depends to a great extent on hard work but also on maintaining good relations with the different players who form part of the production chain, and for this, building up a climate of trust is essential.
- In order to increase the possibilities of success of a business, work must be directed towards organizing production and supply as a way of strengthening its negotiation capacity, as this is based primarily on the volume that the organized producers are able supply. It is harder to achieve increases per area of production.
- It is very important to maintain good communications and to work in close coordination with the PRA Project, to strengthen the development of these businesses.
- Coordinated action between PRA / PDA/ USAID / DEVIDA allows us to create alternatives, improve our operational strategies and immediately respond to problems and concerns that may arise during the productive project implementation process.

B9. Constraints

Activities to implement the productive projects and develop business projects in PDA's areas of intervention face a series of constraints. These include:

In Productive activities

- The main constraint this quarter has been the unusually long dry season (July to September) that in particular has affected the cocoa grafts, the size of the cotton balls and the normal development of corn. The continual strikes and protests organized by coca-grower leaders and coca farmers create a climate of insecurity and uncertainty in the area and this in turn affects: i) our field supervision and monitoring work; and ii) advancement with project implementation.

- The lack of adequate funding that is required to maintain the installed crops of coffee and cocoa, threatens the level of success of these projects and causes some farmers to become disheartened with the long period they have to wait before they can reap the benefits.
- The constant anti PDA messages aired by the media, and especially by radio stations, generate a sense of mistrust and, in many cases, drives farmers to abandon their crops.
- Producer organizations and a few of the subcontractor firms have shown to have limited administrative and management capacities, which is why they are often delayed in their work, particularly when it comes to rendering accounts and preparing technical reports. This in turn affects the timely delivery of the disbursements.
- Farmers still perceive PDA and its productive activities as being paternalistic.

CSE – Businesses

- The constant strikes and disturbances organized by coca-growers and their leaders create an atmosphere of uncertainty and insecurity in the area, which in turn drives away the private sector.
- The media, which is financed by coca-grower organizations and other related entities, continually broadcasts anti-PDA messages, and this too contributes to generate mistrust, uncertainty and fear amongst private companies who are contemplating investing in the area. Performance in the field is also affected by this.
- Some producer associations lack all sense of motivation with respect to corporate management, showing little desire to push their projects forward driven by a sense of productivity and business.

B10. Recommendations

In Productive activities

- Comply with all of the commitments contracted under the R379, especially regarding the installation of the hectares programmed for October -December 2005.
- Reinforce the monitoring and supervision plan for productive projects in the field, with the direct participation of field supervisors, productive projects experts, authorities and local leaders.
- Support the institutional strengthening program directed at producer organizations that will be conducted with the help of Acción Sin Fronteras.
- Provide an in-house financial auditor to work with recipients and subcontractors in their respective offices, in order to improve efficiency at the time rendering accounts and complying with administrative procedures and regulations.
- Train all experts, field supervisors and personnel working for recipients and subcontractors responsible for implementing the productive projects (grant agreements, subcontractors) to ensure that they apply and comply with the environmental laws and regulations considered in the PDA.
- Coordinate with recipients and subcontractor firms so that they implement all environmental regulations under the PDA.

- Carry out monitoring and supervision visits to the field together with the DEVIDA's technicians, while maintaining good work relationships.
- Design and implement a strategy directed towards the sustainability of productive and business investments, particularly where crops have long vegetative periods, such as is the case of cocoa, coffee, oil palm and others.

CSE – Businesses

- Prioritize the organization of the supply and the development of new business opportunities within the scope of R379 signatory communities.
- Support clients' (private companies) business efforts in a more dynamic and efficient manner with respect to business plans.
- Design and implement a strategy directed towards the sustainability of productive and business investments, particularly where crops have long vegetative periods, such as is the case of cocoa, coffee, oil palm and others.
- Maintain an adequate level of coordination and communication between the PDA, PRA , both at regional and central levels, so as to strengthen the new business approach.
- Closely coordinate efforts with MINAG at regional and central level for the implementation of productive chains.
- Continue negotiations with ACCESO to strengthen the work of the Producer Organizations.

B11. Main activities scheduled for next quarter

Actively participate in the design and implementation of the new approach in order to comply with the 2005 work plan and established objectives.

Productive activities

- Finish implementing the grant agreements so that all of the commitments contracted in connection with the productive projects are fulfilled.
- Implement all environmental regulations and the PEA under the grant agreements and technical assistance subcontracts, in coordination with environmental management and the experts assigned to our regional offices.
- Supervise the technical assistance services and the delivery of inputs by private companies.
- Continue with field supervision on objectives assigned by CSE, according to the grant agreements and subcontracts for the provision of technical assistance services.
- Support the institutional strengthening program for producer organizations, together with Acción Sin Fronteras.
- Inform the communities on the implementation strategy, progress of productive projects and the level of investment committed for each type of project, beneficiary and community.
- Organize a bidding process to subcontract a new company interested in providing technical assistance services, as required to replace Exportaciones Sierra y Selva.
- Evaluate the progress made by the cocoa project in Tingo María and Aguaytía

- Reassess the compliance levels of the productive activities and the state of the plantations.

CSE – Businesses

- Continue efforts related to working with the Trust Fund, with PRISMA and Rural Savings Banks through COPEME, using past and present experience as a reference.
- Continue developing businesses on the basis of business plans and with the direct involvement of the private sector.
- Work in close co-ordination with the Sub Directorate of Regional Operations and Technical Support, the different management levels and Regional Management in order to ensure that regional operations perform at maximum efficiency.
- Promote the concept of sustainable development, both internally in the Regional Offices, in DEVIDA's central and branch offices, in other PDA-associated entities and local governments.
- Facilitate access to any information required by any of the parties involved with the PDA.
- Maintain CSE's database updated and functional at all times in the M&E System (SISMONITOR) to expedite managerial decision-making.
- Support dissemination activities to improve CSE positioning at regional level and within the business sector.

C. Natural Resources

The quarter was characterized by the special emphasis given to the environmental monitoring of productive projects and to the establishment of regulations to ensure the use of permitted pesticides only (PERSUAP). Both of these activities also fall under the framework of compliance with the Environmental Regulations established within the PEA itself.

The main contribution in environmental terms lies in the implementation of more efficient mechanisms to ensure compliance with the environmental conditions surrounding the productive projects. This however, is only the beginning. By the end of next semester, it is expected that coordination efforts and enhanced information exchange processes between PDA's Environmental component and its Productive Projects component will be established.

Coordination between PDA, INRENA and USAID has definitely improved and this has enabled carrying on with the processing required to establish the Local Forests. Great steps have been taken in this respect, and there has been significant progress both in the scope and quality of the work and this in turn has translated into a better disposition on the part of INRENA to manage the Local Forest files and Native Community Management Plans.

The initial works under the new intervention method are now underway. A basic directive established for this new stage of the PDA is the Territorial Ordering, applicable to all of the Development Units, and is to be further complemented with the Municipal Development Plans. Territorial Ordering will therefore become a very useful tool for managing new projects and redirecting new works to other cooperating entities.

C1. Natural Resources Management's Objectives

The two basic objectives of the natural resources activities are to:

- To promote and establish legal economic activities based on the responsible use of forest resources in such a way that the participating population may improve their living conditions.
- Contribute towards ensuring that the works and projects undertaken by PDA are executed in conformity with the environmental regulations of Peru and USAID, thereby benefiting the recipients with better services.

C2. Results

C2a. Projects executed –economical activities involving the use of forest resources

of Septiembre 2005

Exhibit 1 provides a table listing the projects currently being implemented or that have recently been concluded in each of the regional offices. The table includes 17 forestry-related projects, which is highly significant considering that no alternative development project has ever before promoted or considered the use of forest resources as an alternative to illegal crops.

Progress to date is specified for each of the projects. For the most part, the major cost in terms of time has been spent in trying to obtain approval for the designs drawn up by the state entity (INRENA). Added to this is the fact that, in many cases, the communities with whom we work lack all documentation accrediting property rights, complicating the approval process even further.

The following sections provide a series of comments on the projects executed during the reporting period.

C2a1. Logging module in Gosén

During the course of the last quarter, logging activities have not been intense but rather have been mainly directed for self-consumption. The **"Association of Agricultural and Forest Producers of Gosén"** is waiting for the last disbursement under the grant agreement which awarded it the logging and sawing module. These funds will be used as working capital for sawing the wood logged during the PDA I. The resulting lumber will be used for commercial purposes.

Disbursement of grant funds has been approved, and the Association will use the funds to reactivate logging and sawing activities.

C2a2. Land titling legalizing process of the territories belonging to communities taking part in Forest Management Projects and obtaining Approval of Management Plans from INRENA

According to the arrangements made with INRENA, it would appear that the FMP for Sinchi Roca will be approved by November 15 at the latest.

C2a3. The Achinamiza rubber project

The grant agreement is now in its final stage. A local Association has been legally created (the **Association of Producers of Achinamiza**) as part of the project's implementation and it is primarily engaged in commercializing natural rubber sheets. The project is considering donating the basic machinery required for producing latex sheeting from the natural plantations distributed within the community's jurisdiction.

The Association of Producers of Achinamiza is made up of 30 members who are dedicated to extracting and processing natural latex from the 75 existing *estradas*, as a means of generating income.

All of the resources considered for installing the module have been used, except those applicable to wages for the stage of net extraction.

Meetings are being held with the CSE to discuss financing for technical and administrative assistance for the production stage, which is needed to achieve an improvement in the Association's administrative and commercial performance.

C2a4. Local Forests

Significant progress has been made in the negotiations with INRENA in collaboration with USAID. Specifically, the files submitted to INRENA are now being processed much faster. Progress has also been made with respect to:

- Approval of the Local Forests of Nuevo Oriente and Alto Santa Cruz: end of October.
- Approval of the applications submitted by the Local Forests of San Juan de Abiseo, Playa Hermosa and Bajo Guayabal. These three Local Forests have obtained authorization to implement the Natural Resource Management Plans (FMP) and POA. The call for bids to implement the project has been made; submittal to

INRENA has been scheduled for 40 days after signing the contract with the company obtaining the bid award; the approximate date is end of November.

C2a5. Jobs and wages created per office

Table 1 shows a summary of the jobs and wages created in the recipient communities implementing forest management projects.

Table 1. Number of jobs generated by forestry-related projects

Regional Office	N° of Projects (April 2004-June 2005)	N° of Projects Jul-Sept 2005	N° of Beneficiary Families (April 2004-June 2005)	N° of Beneficiary Families (Jul-Sept 2005)	N° of Jobs Generated (April 2004-June 2005)	N° of Jobs Generated (July - Sept 2005)
Tingo María	14	---	858		4562	----
Tocache	6	1	181	50	2050	800
Aguaytía	19		470		7875	
TOTAL	39	1	1,509	50	14,487	800

C2a6. Value of sales per office

Table 2 shows the income from sales of rubber sheets in the community of Puerto Nuevo in Aguaytía. No sales of sawed wood have been reported for the reporting quarter in the Local Forest of Gosén.

Table 2. Value of sales of forest projects

Regional Office	N° of Projects April 2004-June 2005	N° of Projects Jul-Sept 2005	Value of Sales S/. April 2004-June 2005	Value of Sales S/. Jul-Sept (2005)	Projected value of sales for next quarter S/.	Comments
Tingo María	2	----	20,000	----	10,000	Logging module Project – Gosén community
Aguaytía	4	2	48,000	1,000	15,000	Rubber Project in CCNN Sinchi Roca and Puerto Nuevo
TOTAL	6	2	68,000	1,000	35,000	

C2a7. Territorial Ordering

The consulting work for the territorial ordering of the Yarina Development Unit (DU) has reached its final stages. The first stage (field work) has been completed. This consisted in conducting workshops with DU community members and their respective authorities, as well as carrying out geo-reference work in the field. At the time of writing this report, all of the data is

being entered into the system to produce digital maps. Information workshops designed to inform the communities on the final results of the work will be implemented next quarter.

C2b. Geo-referencing and data automation

C2b1 Georeferencing and verification of roads and maps in general

As the communities belonging to the different DU's are constantly changing, the GIS database of the communities ("caseríos" or villages) prioritized for this year will be updated. The area of influence of the new Development Units which were generated from the "caseríos" prioritized for this year will be covered as part of this update.

An updated database for all of the rivers within the areas of intervention, based on satellite imagery and national scale maps has been prepared. This information is not only useful for Natural Resource Management of but also contributes to improve all PDA's mapping information.

C2b2. Classification of forest cover

Work continues to be carried out in the area of influence of the new intervention areas in the Tocache, Tingo María and Aguaytía valleys, with Development Units (DU). These DU were defined geographically, on the basis of the boundaries known by the communities and the boundaries of the Protected Natural Areas (PNA), Utilization Units and Native Communities (CCNN). A total of fifty Development Units were identified in this new intervention area.

C2b3 Forest Management Plans

Although budget issues prevented a formal agreement being reached between the PETT and the PDA Environmental area, PDA, in joint collaboration with PETT, updated the digital database for the Native Community of Sinchi Roca's in INRENA's Center for Forest Information. Moreover, work is proceeding on the case of the Native Communities of Unipacuyacu and Santa Marta in connection with the issue of the exclusion of permanent production forests.

C2b4. Implementation of the Production Projects Database

An automated Production Project database was created in an effort to have a better picture of their location and also for consultation purposes.

C2c. Present status of the PEA and its implementation

During the reporting quarter, environmental inspections were performed on the productive projects as part of PDA efforts to comply with the environmental regulations applicable to the valleys of VRAE and Tingo María. These studies helped in measuring the environmental impact of the projects and determining mitigation measures to counteract this impact.

Table 3 .Management Instruments required for PEA implementation

Regional Office	Management Instruments Produced						
	Files evaluated		Initial Environmental Assessments		Environmental Inspections		Preparation of Forest Management Plan
	Infrastructure	Productive	Infrastructure	Productive	Infrastructure	Productive	Infrastructure
Tingo María	4	1	1	0	0	6	0
Huallaga Central	0		5	0	5	0	0
Vrae	0		0	0	11	1	0
Aguaytia	15		4	0	8	0	0
TOTAL	19	1	10	0	24	7	0

Other issues related to PEA implementation include the following:

- Eight rural roads projects currently being implemented were inspected in the Aguaytía area. Existing forest areas were identified where forest management along these roads could be a viable alternative.
- Moreover, forest areas were also identified when assessing the area contemplated for the construction of bridges connecting dirt road. Forest management with the communities may be considered so that they may control and prevent illegal logging in the area.
- An evaluation of the technical files for the productive project areas determined the environmental conditions for a project for 127 hectares of citric fruits.

C3. Lessons Learned

Environmental inspections of the various projects currently under execution produce better results with respect to implementing the PEA.

The implementation of environmental regulations in the various projects does not only imply identifying potential problems but also means proposing solutions to mitigate these problems.

Before implementing these projects (infrastructure and productive projects) it is important to identify all of the potential environmental impacts that could occur as a consequence of their implementation and operation, so that they do not become costly environmental liabilities in the future.

Economic forest-related activities in these communities presuppose a complex process that needs to be monitored very closely particularly where, as in many of the cases, the projects involve activities that are by no means traditional and in other cases have been carried out in a very disorderly fashion. In order to change the short-term and extraction-focused mentality of the inhabitants, it is essential to monitor these projects very closely even after they have been completed.

The alliances made with other USAID partners have helped to improve forest management with INRENA. However, as the entire process relies heavily on State

entities involved and their inefficiency, compliance with the established forest management goals is largely conditioned to the pace of public bureaucracy.

C4. Constraints

It is essential that PDA field technicians be familiar with environmental regulations so that they can enforce them in the field.

Relations with the Local Forest Management Committees must be strengthened even when, in many cases, these committees lack the leadership to represent the interests of the communities in forest management projects.

Most of the areas of communities working with PDA with available forest land have been affected by former illegal logging activities, and this has undermined the forests to the extent that today, these do not really have enough trees to make them economically viable logging areas.

C5. Challenges

Sustainability of the PDA projects - both productive and related to infrastructure – is indispensable and therefore should receive more attention, specifically with respect to training of the committees responsible for maintaining the works.

All productive projects must be executed adhering to environmental regulations from the moment of project design and planning right up to execution and post- execution.

It is important to reinforce the business skills of the members of associations involved in local forest management and the rubber project.

C6. Recommendations

Greater emphasis should be placed on training PDA personnel, subcontractors, supervisors and technicians on environmental regulations considered under PDA.

The CSE should assume the responsibility for complying with the environmental regulations affecting the Productive Projects.

C7. Future Activities

Table 4 lists what are considered to be the key forest activities for consolidating forest management as PDA's main mitigation activity. The local forests of Playa Hermosa, San Juan de Abiseo and Bajo Guayabal have already obtained authorization from INRENA to execute their Forest Management Plans (FMP) and POAS. The consulting work to carry out this work is underway and activities are scheduled to start-up in about 10 days.

Grassroots fieldwork has been carried out in the new area of intervention of the Territorial Units of Yarina, Chipurana and Yanayacu, and we are adjusting the geographical database before going on to conduct fieldwork for a more specific assessment of the each UTI.

The terms of reference for the Territorial Ordering consulting work have been completed.

Regarding the PEA, it is essential that the audit report is completed as soon as possible, so that we can make that information public as a summary or in full. The training activities mentioned throughout this report, should also be started.

Table 4. Future Key Activities

FUTURE KEY ACTIVITIES	REGIONAL OFFICE		
	Tingo María	Aguaytía	Tocache
Territorial Ordering Sauce, Shapaja and Tres Unidos			X
FMP Local Forest of Siambal			X
FMP Local Forest of Playa Hermosa			X
FMP Local Forest of San Juan de Abiseo			X
FMP Local Forest of Mantención			X
FMP Local Forest of Bajo Guayabal		X	
Forest evaluation of the protected area of Nueva Palestina		X	

C8. Exhibit

Exhibit 1. Projects undergoing execution as of Septiembre 2005

Project	Regional Office			Not yet started	Level of Progress			Completed	Observations
	T. María	Aguaytía	Tocache		Initial stage	Under execution	Final stage		
Alto Santa Cruz Management Plan			X					X	A visual inspection is pending after which the project should receive approval to be recognized as a Local Forest.
Nuevo Oriente Management Plan			X					X	
Playa Hermosa Management Plan			X		X				Have obtained authorization from INRENA for execution of the FMP and POA
San Juan de Abiseo Management Plan			X		X				Have obtained authorization from INRENA for execution of the FMP and POA
Mantención Management Plan			X		X				
Sinchi Roca Forest Management Plan		X						X	The FMP has been concluded. The FMP and POA for Unipacuyacu and Santa Marta are currently undergoing evaluation by INRENA. Observations on the FMP for Sinchi Roca have been lifted.
Unipacuyacu Forest Management Plan		X				X			
Santa Marta Forest Management Plan		X				X			
Gosén Forest Management Plan	X							X	Project concluded, FMP has been approved by INRENA.
Sortilegio agroforestry system	X							X	Project concluded
Honolulu agroforestry system	X							X	Project concluded
La Colorada agroforestry system	X			X				X	Project concluded.
Planting of 6 hectares in Alto San Juan	X			X					Project concluded.
Planning of 45 hectares of <i>bolaina</i> , in the communities of San Pedro de Guinea, Santa Rosa de Guinea and Virgen del Carmen		X						X	Project concluded.
Production of rubber module in		X		X					A beneficiary Association has been

Unipacuyacu					
Production of rubber module in Santa Martha	X		X		selected in the area for project execution.
Technical assistance and monitoring of production and operation of rubber module in the communities of Unipacuyacu and Santa Marta	X				The bid has been concluded but we still have not selected the winning company.
Achinamiza rubber module		X		X	In the final stage of execution addressing training, extraction and production of rubber sheets.
Alto Santa Cruz industrial module		X	X		Awaiting approval of FMP from INRENA to start implementing the module.
Nuevo Oriente industrial module		X	X		The donation agreement has been approved by USAID and we are waiting for INRENA to approve the FMP.
Gosén industrial module	X				X Project concluded, module installed. .

CHAPTER V: COMMUNICATIONS

A. Strategic planning process for communications

During the reporting period, the Communications component continued with the implementation of the activities as identified in the planning process for each of the intervention areas. Supervision of the implementation of the activities established in the plans was intensified. In addition, the use of planning tools was expanded to improve and facilitate implementation. Specifically, the Regional Operative Plans were reformulated to be based on a two-month term. This time adjustment has enabled improved monitoring and reprogramming of activities on the basis of actual needs and circumstances.

Tasks completed during the reporting period include:

- The coordinated and mutually committed work being carried out by the communication components of DEVIDA and PDA has been further strengthened with communication efforts both in terms of scope and impact improved as a result.
- Coordination between the communications component and other PDA components, particularly with the CSE and Socialization components, was strengthened.
- In all of the intervention areas, the Regional Technical Committees (CTRs) are continuing with their consolidation process although there have been a few minor changes with respect to the number of members. This has allowed the development of communications activities on a wider scale, especially those activities that are related to the community component (there were approximately 20 community fairs held during the reporting period).
- A new bi-monthly planning process has enabled better management of the plans prepared for the communications activities and, in addition, has laid the foundation for the next annual planning process. This new process will help ensure that PDA communication goals are met.

B. Promotion and dissemination of PDA activities in the regions

During the reporting period, the Communications division continued to broadcast daily and weekly radio programs designed to promote the program activities, while at the same time establishing the foundation for more ordered actions consistent with the objectives and results incorporated in PDA's Joint Communication Strategy.

B1. Dissemination of PDA activities by regional media

During the reporting period, we continued to market PDA's promotional mix according to the following program:

Production of radio programs and airing of radio and TV spots

- Tingo María, Aucayacu, Pucallpa, Aguaytía, VRAE, Tocache, Juanjuí, Uchiza and Tarapoto aired **333** one-hour programs during the reporting period. These were produced by PDA communication teams. During the month of August the programs, their content and respective budgets were evaluated.
- In July, 5 radio programs produced by PDA work teams were aired in the city of Tarapoto on a weekly basis.
- A total of **2618** radio spots promoting PDA's contributions were aired in all of the intervention areas. These were broadcast from the larger radio stations.
- A total of **1055** TV spots promoting PDA's contributions were aired in all of the intervention areas.
- Two emergency plans were broadcasted in Tingo María. These were composed of **42** ten-minute TV micro programs and **56** five-minute radio micro programs.

B2. Radio Soap Operas:

"Almendra, corazón de selva"

- A 5-hour special which included the highlights of this soap opera was compiled and aired over the July National Holidays.

New soap opera

- The bid for the production of a new radio soap opera is now in process. The plan is to air this new show in all of PDA intervention areas starting in December 2005.

B3. Female Leadership Competition

- The bid for the second stage of this competition was completed. This entails strengthening the capabilities of women leaders in the PDA target communities (the first stage was the Female Leadership Competition which was organized in all of PDA's intervention areas).
- The technical proposals for this competition are to include ideas for the production of radio programs directed at female community members. These 15-minute programs will be designed to be part of 60-minute programs produced by PDA (8 in all).

B4. Special intervention in Cusco

- In response to the political situation in this region, specifically the regional decree declaring legal all coca production in three areas, a special communications campaign in the department of Cusco (Cusco and Quillabamba) was undertaken as a way of complementing the verdict announced by the Constitutional Tribunal declaring the regional decree to be unconstitutional.
- Two spots (in Spanish and in Quechua) were produced and working with opinion leaders and reporters in ongoing to boost support of the mentioned verdict.

B5. Activities with communicator networks

- During the reporting period and through the board of directors of the Network of Communicators for the Development of the Amazon, a number of workshops engineered to strengthen leadership with the Juanjuí, Tarapoto, Huanta, VRAE and Huamanga networks were carried out.
- All the preparation work was completed (speakers, logistics, materials and others) for the III National Meeting of the Network of Communicators for the Development of the Amazon — scheduled to take place early next quarter.

B6. Audiovisual Production

- The production and post-production of the video news program known as the “THE PDA INFORMS 2” was completed. This was distributed and aired by the regional media, local government authorities, political leaders, and other opinion leaders.
- A photograph gallery was mounted in USAID’s offices to support a presentation by the new AD Office Director, Michael Greene. The exhibit contained 24 photographs (70 x 70 cm.).
- The first “traveling” photo exhibitions were completed. These were designed to exhibit photographs depicting PDA’s work in Aguaytía and Tingo María (each exhibition consists of 20 photographs measuring 70 x 70 cm.).
- The exhibitions to be mounted in San Martín and VRAE are nearly ready, with the final stages of selecting the photographs currently in process.
- Four radio micro programs were produced addressing the common themes of communications programs of narcotrafficking groups: The sacred coca leaf, fumigation, industrialization and coca: an agrarian problem. The programs were produced in both Spanish and Quechua and were aired in all of the PDA intervention areas.

- Two radio micro programs were produced (in both Spanish and Quechua) with the aim of supporting the emergency communications aired in the department of Cusco (as a way of complementing the verdict announced by the Constitutional Tribunal).
- The script produced for a new documentary on "The Challenges of Alternative Development" is being finalized. The documentary will illustrate the enormous difficulties that need to be overcome to change from an illicit to a licit way of life.
- All of the field photographs have been taken for the "THE PDA INFORMS 3" news program and editing of the program has started.

C. Community and public opinion communication platform

As part of the process of consolidating community interventions, the communities' own dynamics have been incorporated into the messages being delivered while, at that same time, the needs and requirements for the implementation of the PDA are introduced and explained. In addition, there has been a specific focus on a number of communication activities geared towards young people and women.

The main activities undertaken during the reporting quarter include:

- The continued development of community activities carried out in close coordination with PDA's implementation processes in all of the intervention areas.
- Ongoing support in the participative rural diagnostic processes and strengthening of the committees responsible for maintaining PDA-financed activities (infrastructure projects) in the signatory communities, especially those in Aguaytía and Tingo María.
- Meetings have been held to discuss the design and standardization of messages sent between the PDA components and its operators in all of the intervention areas.
- Identification of communicator leaders in the signatory communities continued. These leaders are chosen to act as liaison agents and/or communication promoters for community communication.
- Activities geared towards young people of the signatory communities to encourage young leaders to opt for a licit way of life have been developed.
- Involvement in games and recreational activities organized in the signatory communities, particularly in VRAE, has been promoted primarily through community fairs.

D. Lessons learned

- Continual intervention with participating communities is essential for promoting change of behavior and lifestyle. In this context, the community fairs have shown to be highly successful.
- Developing information poles capable of nourishing the media on PDA's concepts and contributions is a challenge. Work on this issue has been started in San Martin and Aucayacu.
- It is vital to strengthen the work of the Network of Communicators of the Amazon, promoting their autonomy and role of social responsibility, as a means of consolidating information equilibrium between the pro-coca and the anti-coca supporters.
- It is important to continue taking photographs and filming the advancement of the program to develop a large enough audiovisual and graphic database to satisfy the enormous demand coming from the areas of PDA activities.

E. Activities planned for the next Quarter

- Continue consolidating the work at community communications level, as an effective, transparent and direct way of reaching the communities and their families.
- Evaluate the impact of the information and communication strategies developed so far in the intervention areas and plan future activities on the basis of PDA's operative communications plan for 2006.
- Consolidate the Regional Technical Committees' work space (made up of public and private entities).
- Produce two documentaries (The Challenges of Alternative Development and The PDA in Peru), in addition to News Programs 3 and 4.
- Design and implement, at regional level, information generating centers and continue work with the media and network of authorities, leaders and institutions linked to PDA implementation.
- Consolidation of the regional planning process so that it may lead to the materialization of a PDA Operational Plan for Communications for 2006.
- Develop qualitative and quantitative research work designed to confirm behavioral changes and changes in attitude in our target audience.

CHAPTER VI: PERFORMANCE AND MONITORING

The primary objective of the Performance and Monitoring System is to provide reliable information to PDA stakeholders on the status of, and progress made on the implementation of program activities. The availability of this information facilitates managerial decision-making and thus guarantees efficient operations, offers support to the activities carried out by the Mission's projects and programs and creates an ongoing learning environment.

A. Information System

A1. Progress during the Quarter

Activities during the July – September 2005 quarter focused on:

- Improving the central database that involved designing “views” to help developer users to understand and process the information expeditiously.
- Training the Monitoring, Infrastructure, Productive projects and Finance groups on the use of the new design of the “views” (Group #1)
- Final purging of Contract data and integration of this into the Infrastructure and Productive Project modules.
- Holding workshops to define the standards of information managed by USAID, DEVIDA and PDA.
- Incorporating the information associated with Land Titling and Natural Resources into the central data base. The interface data-capturing and updating programs are in their final stages of installation.
- Continuing to implement the automatic processes for the generation of information in compliance with R-379 commitments.
- Integrating CADA measurements at farmer level, for the communities involved in Plan 2005.
- Integrating system information with mapping elements (GIS) and publishing them on the WEB for reference consultation.
- Integrating USAID's Aprendes and Title II projects into the information system on a pilot basis.
- Supporting and maintaining the capture modules developed to integrate new ways of managing the information system.
- Integrating PDA's Plan 2005 into the control system.

- Creating alerts on the advancement of Plan 2005.
- Generating a set of files with updated information to be used in DEVIDA's SIMDEV system.
- Supporting the timely and random generation of information requested by USAID and DEVIDA.
- Supporting and generating information requested by USAID's auditing staff.

A2. Tasks pending for the Information System:

- Continue providing training courses on the new design of "views" directed at PDA staff working in related areas.
- Release the Aprendes and Title II modules.
- Configure the GIS Server with ARC-SDE to construct dynamic and on-line maps.

A3. Recommendations:

- Continue training officers working at different levels of PDA and external entities (USAID and DEVIDA) and monitor their progress.
- Integrate DEVIDA 2004's polls as well as the surveys carried out by CAMRIS (vulnerability) into the Information System.

B. The Web Portal

B1. Progress during the Quarter

During the quarter, attention has been focused on working on the hardware and updating some of the contents in object areas of CorVu Webkit and Mapping. Specifically the tasks included:

- Configuring a Domain Controller Server to be able to administer the accounts of users charged with administrating the cluster services as well as those of users who have access to the Performance and Monitoring Information System.
- Configuring a DNS server to determine the IP addresses of nodes in Netbios names. This procedure is key for ensuring that conflicts do not occur in the operation of the nodes which form part of the clusters.
- Configuring one database cluster under the mode of "Tolerant to failure". This cluster is made up of two nodes (servers) operating over a hard disk shared unit and their main

function is to carry out all of the tasks associated to the engine of the Information System's database.

- Configuring one cluster for the publication of WEB content under the mode of "Load Balance." This cluster is made up of two nodes (servers) operating over a hard disk shared unit and their main function is to carry out all of the tasks associated to the content published in the WEB engine of the Information System's database.
- Publishing new indicators and executive alerts in the section of objects of CorVu Webkit.
- Preparing digital maps for (as of September 17, 2005):
 - *Socialization* (Condition of the community, State of compliance versus CADA, Attention to communities).
 - *Infrastructure* (Stage of process, Investment line, Type of project)
 - *Productive Projects* (Stage of the community project, Type of activity of the community Project, Description of the product)
 - *Density* (Condition of the community, State of compliance vs. CADA, Density of coca crops per family, Range-type of families per community)

B2. Pending:

The tasks still pending include:

- Simulations, tests and start-up of both the database server cluster and the web cluster.
- Installation of ARC-SDE to be able to integrate GIS data into the Information System's central database.
- Configuration of message services for automated data transmissions between the institutions involved.
- Adjustment of security policies through the configuration of physical firewalls.

C. Performance and Monitoring

During the quarter, monitoring continued of coca-crop eradication and the implementation of the projects and works in R-379 communities. In addition, weekly PDA progress reports were prepared and submitted to USAID.

In July, a study was conducted to evaluate how the bonus payments given to R-379 signatories were being used. Results of the study provided an input in deciding whether or not payment of bonus should be continued in the new communities to be incorporated under the PDA. It was concluded that the bonus payment has definitely served to alleviate immediate domestic needs (food, health, education, farming inputs, etc.) and, although this

payment is not considered to be one of the most significant benefits (as compared to productive projects and infrastructure), community members indicated a reluctance to stop receiving it. Finally, the study identified some problems in managing the bonus payment and, in particular, the difficulty of ensuring that no more than one member of the same family receives it (there are cases where more than one family member received payment).

The inter-institutional meetings of the Performance and Monitoring staff of USAID, DEVIDA, PDA and the sub-contractor CAMRIS continued throughout the quarter. These meetings served to define the annual survey objectives to measure PDA impact, and to draw up the questionnaire to be used, which included a number of indicators that Chemonics (PDA) has to report to USAID on a yearly basis.

Next quarter, work will focus on implementation of the 2005 Work Plan 2005, with specific attention on achieving the goal of 3,000 hectares eradicated, as well as taking part in evaluations, negotiations, monitor measurements and reduction, and preparing reports.

ANNEX 1: Administrative and Financial Report

A. Administrative Report

A1. Contracts and Grants

During this quarter, the Contracts department continued awarding subcontracts, task orders, and grants in support of the R-379 and initiated awards to fulfill benefits identified in the 2005 *convenios marcos*.

We signed 29 subcontracts, totaling S/2,528,505 (US\$ 778,001) as shown in the table below:

Fixed Price Subcontracts	No	Amount S/.	Amount US \$
Infrastructure	26	1,692,925	520,900
Productive	1	1,897	584
Total	27	1,694,822	521,484

Cost Reimbursable Subcontracts	No	Amount S/.	Amount US \$
Credit / Trust Fund	1	241,245	74,229
Productive	1	592,438	182,288
Total	2	833,683	256,518

Additionally, we signed six grants agreements valued at S/706,384 (US\$ 217,349) as shown below:

Grant Agreements	No	Amount S/.	Amount US \$
Infrastructure	5	645,703	198,678
Productive	1	60,680	18,671
Total	6	706,384	217,349

During this quarter we also processed 250 subcontract extensions, of which 66 were caused by coca-growers strikes.

As part of the transition plan put into place, the Peruvian professional identified to take over the position of Subcontracts and Grants Manager within the PDA Contracts department traveled to Chemonics' Home Office in Washington DC. She attended a workshop and familiarized herself with the internal workings of the company, industry, and position.

A2. Human Resources

The following is a summary of the main activities carried out during the quarter:

- The project's Policies and Procedures Manual was reviewed and updated. Some policies related to sexual harassment and information technology were incorporated.

In addition, a “Reglamento de Trabajo” handbook was prepared to meet Peruvian labor regulations, which will soon be submitted to Labor Ministry for approval.

- Per the personnel reduction strategy defined last quarter for Lima and the satellite offices, termination processes started as scheduled. The process will continue during the 4th quarter of 2005.

B. Financial Report

In this section of the report, we are including a table detailing expenditures for the 3rd quarter of 2005, the accumulated totals, and approximate projections for the next two quarters. It is important to note that the last three columns are based on projections and are subject to change due to circumstances that may impede activity execution in the target areas. To date, the obligated amount for the contract is US\$73,146,474

Total Expenditures this reporting quarter : US\$18,636,817*
Accumulated expenditures as of September 30 : US\$48,594,496*

* September is a projected number based on costs incurred directly in Peru and estimates of Washington DC paid costs and indirect expenses.

Participatory Alternative Development Program (PDAP)
Chemonics International Inc.
Contract Number 527-C-00-03-00043-00

DESCRIPTION	Expenditures			Projections		Total
	From April/04 to March/05	From April to September/05	Accumulated	From October to December/05	From January to March/06	
CLIN 1: Start up Activities	\$51,711	\$545	\$52,256			\$52,256
CLIN 2: Auto-eradication	\$21,693,597	\$14,542,966	\$36,236,563	\$10,579,481	\$7,929,273	\$54,745,317
CLIN 3: Willingness to Reject Coca Increased	\$4,173,062	\$2,114,875	\$6,287,937	\$881,300	\$1,054,122	\$8,223,359
CLIN 4: Situational Response	\$817,938	\$444,905	\$1,262,842	\$225,234	\$466,887	\$1,954,964
CLIN 5: Performance Monitoring	\$3,221,353	\$1,533,526	\$4,754,879	\$530,856	\$622,548	\$5,908,283
TOTAL	\$29,957,660	18,636,817	\$48,594,476	\$12,216,871	\$10,072,831	\$70,884,178